

glamour



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**FT NEWSPAPER**  
**of the YEAR**

# FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY FEBRUARY 12 1993

D85234

## Delors hits at 'wildcat' devaluations

European Commission president Jacques Delors attacked "wildcat" devaluations which were undermining confidence in the European exchange rate mechanism. His remarks underline resentment at sterling's withdrawal from the ERM last autumn. Page 14; France's PM urges faster move to ERM. Page 2; The way out for Major, Page 12

**Clinton move on Uruguay Round:** US trade representative Mickey Kantor said Congress would be asked to extend the "fast-track" negotiating authority which is vital for completing the Uruguay Round. Page 6

**Britain and the ERM:** Eddie George, governor-designate of the Bank of England, said it would be "at least 9 to 16 months" before sterling rejoined the European exchange rate mechanism. He warned against further cuts in UK interest rates and said inflation was under control. Page 7

**German airliner hijacked:** A lone gunman hijacked a German airliner after it took off from Frankfurt with 104 people aboard. He forced it to head for New York after threatening to kill passengers. The hijacker, at first said to be a Bosnian, was later described as an Arab.

**Muslims in 'new offensive':** Bosnia's Muslims have launched a new offensive in Sarajevo, the UN said. Four French soldiers were injured during the attack on the Serb stronghold of Ilidza. The Bosnian Muslim-led government told the UN that the besieged capital had decided to reject further humanitarian help out of sympathy for Muslims cut off from international aid by Serb forces. US muscle for the mediators, Page 3

**Sears, Roebuck,** big US retailer, detailed restructuring plans including a \$4bn spending programme on its stores and a 56.6 per cent cut in debt and deposits. Page 14

**UK plans roads privatisation:** Britain's Department of Transport is planning to transfer responsibility for the national road network to a separate agency as a prelude to possible privatisation. Page 14

**Queen's tax plans:** British prime minister John Major told parliament that Queen Elizabeth and her heir to the throne Prince Charles are to pay income tax on their personal income "according to the normal tax rules." Page 7; Editorial Comment, Page 13

**BP cuts costs:** British Petroleum said its huge debt burden was beginning to yield to strict cost-cutting measures. BP made a 1992 loss of \$252m on a replacement cost basis after a restructuring charge of \$294m. Page 15; Lex, Page 14; Details, Page 21

**Job cuts imminent at Leyland Daf:** Receivers for Leyland Daf warned the company's 5,500 UK workers that any industrial action to halt redundancies would force the whole company to close. They said the workforce would soon be cut by 30 per cent. Page 14

**Indian rupee plunges:** The Indian rupee fell to an all-time low on foreign exchange markets amid speculation that further liberalisation of the currency will be announced in the budget later this month. Page 4

**Indonesians discuss UK steel plant:** British Steel said it was in serious talks with Indonesia's PT Gunung Dianjaya about selling its closed plant at Ravenscraig, Scotland. The private Indonesian company would dismantle the hot strip mill and ship it to Malaysia.

**Trafalgar House,** UK construction, property and shipping group, announced a one-for-two rights issue to raise \$204.6m (\$306.8m) and warned of further property write-downs. Page 15; Lex, Page 14

**Malay rulers curb rights:** Malaysia's nine hereditary rulers agreed to government plans to curb their rights, so averting a constitutional crisis. Changes include setting up a special court to try errant rulers and allowing parliament to debate their role and conduct openly.

**Rhino horn convictions:** Zimbabwean MP Benjamin Moyo of the ruling Zanu-PF was convicted of illegally possessing rhino horns. The charge carries a minimum five-year jail sentence.

**Toll-free:** A Swedish crime syndicate stole thousands of mobile telephones, reprogrammed them so the bill would be sent to someone else, then sold them as "no-charge phones". The racket came to light when some mobile phone subscribers received sky-high bills.

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,354.3 (+17.8)	New York lunchtime	1,418.6
Yield	4.32	London	1,418.6 (1427.8)
FT-SE Eurotrack 100	1,126.71 (+5.21)	DM	2,352.5 (2,342.5)
FT-Air Share	1,261.80 (+0.59)	FF	7.85 (7.95)
Nikkei	closed	SFR	2,177.5 (2,172.5)
New York lunchtime		Y	172.5 (172.5)
Dow Jones Ind Ave	3,427.84 (+25.12)	C index	76.0 (76.4)
S&P Composite	448.74 (+2.51)		
US LUNCHTIME RATES		DOLLAR	
Federal Funds	2 1/2%	New York lunchtime	1,418.6
3-mo Treas Bill	2.972%	DM	1,418.6
Long Bond	104 1/2	FF	7.85
Yield	7.25%	SFR	2,177.5
LONDON MONEY		DOLLAR	
3-mo interbank	5 1/2% (6 1/4%)	New York lunchtime	1,418.6
Life long oil future	Mar 100 1/2 (Mar 101 1/2)	DM	1,418.6
NORTH SEA OIL (Argus)		DOLLAR	
Brent 15-day (Apr)	\$18.45 (18.40)	DM	1,418.6
WTI	\$18.45 (18.40)	FF	7.85
Gold		DOLLAR	
New York Comex (Feb)	\$332.2 (333.4)	DM	1,418.6
London	\$331.75 (330.15)	FF	7.85

Austria	Scd30	Greece	D100	Lux	Lfr80	Catar	OR1200
Bahrain	On1250	Hungary	F110	Malta	Lm80	S Arabia	SR11
Belgium	BFr50	Iceland	Nr180	Morocco	MDN15	Singapore	S\$10
Bulgaria	Lv250	India	Rs40	Norway	Nkr100	Slovak Rep	Kc45
Cyprus	Cc100	Indonesia	Rp200	Nigeria	Nair20	Spain	Ptas200
Czech Rep	Kc45	Israel	Sh50	Norway	Nkr100	Sweden	Skr15
Denmark	Dkr15	Italy	Lt200	Oman	OR150	Switzerland	Sfr20
Egypt	Eg450	Japan	Yen100	Philippines	Php45	Taiwan	NT\$20
Finland	Fmk12	Korea	Won200	Poland	Pln200	Turkey	Lira100
France	FFr80	Kuwait	Kwd10	Portugal	Esp215	UAE	Dh100
Germany	DMS30	Lebanon	US\$1.25				

## Clinton launches attack on executive salary levels

By Jurek Martin in Washington

PRESIDENT Bill Clinton made clear yesterday that he intends not only to increase taxes on US corporations but also to penalise the more extravagant executive salaries.

He told business leaders summoned to the White House, in paraphrase of Thomas Jefferson, that Americans were best at "answering alarm bells in the night." It was time, he declared, for "you to do your part."

The president has frequently

spoken of the need for shared sacrifice to cut the federal budget deficit. He pointed yesterday to "the enormously increased rate of executive compensation in the last 12 years," far in excess of average pay rises.

Without disclosing details, he went on: "I want to make a proposal that deals with the fact that the tax code should no longer subsidise excessive pay for chief executive and other high executives, excessive defined as unrelated to the productivity of the enterprise."

In last year's election campaign Mr Clinton spoke disparagingly of executive salaries of more than \$1m a year against a background of corporate job losses. Yesterday he said that higher taxes on executive incomes would have "relatively small dollar impact but great significance to the American working people."

At a later press briefing, Mr George Stephanopoulos, White House communications director, confirmed that Mr Clinton is considering reducing the amount of executive pay that corporations

can deduct from their taxes.

"Right now, you get full deductibility for corporate executive pay," said Stephanopoulos. Clinton "would look to restrict that in some way, tying it to performance of the company."

The president specifically linked the tax increases on corporations and individuals, which he will address in general terms in next Wednesday's state of the union message and specifically in the budget due on March 23.

"I have also been persuaded by my treasury secretary that it is

unwise, indeed impossible, to raise the individual income tax rate unless there is a corresponding increase in the corporation tax rate to avoid tax shifting," he said.

It has been assumed for some time that Mr Clinton would probably propose increasing the corporate tax rate from 34 to 36 per cent and the top rate on the wealthiest individuals (defined as families with an income of more than \$200,000 a year) from 31 per cent to 36 per cent.

Mr Clinton was careful to

repeat another element of his economic plan: that the corporate tax system should be reformed "to ensure that it rewards and encourages those who invest in productivity, in plant, equipment, research and development, in people who will create jobs and in the markets of tomorrow."

The economic stimulus package being worked on by the administration will almost certainly include bigger investment tax credits - in the \$10bn to \$15bn range - as well as specific public works programmes.

## Craxi quits in new blow to Italian Socialists

By Robert Graham in Rome

MR BETTINO CRAXI, one of the most influential and controversial politicians in postwar Italy, yesterday resigned from the leadership of the Socialist party which he has headed since 1976.

The 59-year-old Socialist leader was forced to step down because of his alleged involvement in the growing corruption scandal in Milan, the centre of Mr Craxi's power base which he ran with an iron grip.

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in the markets and the lira began to slide. However, intervention calmed the markets and brought prices and the lira party back to the previous day's levels.

The reaction of the markets underscored the extraordinary atmosphere of rumour and uncertainty caused by the ever widening investigations by Milan magistrates into corruption.

Last night a special assembly of the Socialist party met in Rome to decide on a successor to Mr Craxi.

Mr Craxi was still insisting last night on having a major say in the succession, and Mr Valdo Spini, a 47-year-old member of parliament considered to be on the party's left, appeared the most likely compromise candidate.

Mr Martelli resigned on being informed he was under investigation, like Mr Craxi, for the fraudulent bankruptcy of Banco Ambrosiano. Milan magistrates have alleged they were involved in using a Swiss bank account to receive illicit contributions from the late Mr Roberto Calvi, the head of Banco Ambrosiano who was found hanged at in London in 1982. The contribution was allegedly made following a \$30m loan from ENI, the Italian state oil concern controlled by the Socialists.

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Mr Giuliano Amato, the prime

Continued on Page 14

For nearly an hour just before midnight there was heavy selling of shares and government paper

## GM reports improved fourth quarter results in the US

By Martin Dickson in New York

GENERAL MOTORS yesterday reported improved fourth quarter results from its troubled North American vehicle business, but it also announced a \$28.5bn loss for 1992, largely because of a non-cash change in accounting principles.

The net loss for the year was by far the largest ever recorded by a US company but was immediately discounted by Wall Street, which focused instead on the group's encouraging fourth quarter figures.

Items, down from \$7.9bn in 1991. In the fourth quarter, the loss was \$866m, down from \$1.27bn a year earlier, but an apparent slowdown in the rate of improvement over the first nine months of the year. GM said this was due partly to a conservative year-end examination of reserves for vehicle warranties and employee retirement.

Mr Jack Smith, the chief executive, said the company had enjoyed strong positive cash flow in the quarter and continued to aim for the "aggressive but achievable" goal of break-even in North America in 1993, before interest, taxes and retiree health expenses. The company ended the year with cash balances of \$8bn, compared to debt of \$8.3bn.

The North American target assumes that the US vehicle market will grow around 5% per cent this year to around 13.7m units, and that prices will firm.

However, GM expects the highly profitable European market to get weaker. Its international vehicle operations earned \$218.4m in the fourth quarter, down from \$285.2m, a year before, while the full year income was \$1.2bn, down from \$1.5bn.

GM, as a group reported a fourth quarter net loss of \$651.8m, or \$1.25 a share, after taking a previously announced \$444m charge at its National Car Rental System subsidiary, a \$165m gain on the sale of its stake in Daewoo Motor of South Korea and a \$346.1m charge from the effects of the change in health benefit accounting.

In the same period of last year, the group reported net losses after special charges of \$2.5bn, or \$4.25 a share. Sales and revenues rose from \$33.8bn last year to \$35.7bn in the 1992 quarter.

In 1991 GM reported a net loss of \$4.5bn, or \$7.97 a share, after special charges.

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## Rühe faces battle for political life

Kohl humiliates minister after attack on DM860m German defence cuts

By Quentin Peel in Bonn

MR VOLKER RÜHE, the German defence minister, was humiliated as a likely heir apparent to Chancellor Helmut Kohl, appears to be fighting for his political life in a bitter battle over cuts in the defence budget.

Twice in the past week Mr Ruhe has been publicly humiliated by Mr Kohl after he attacked a government decision to order new spending cuts of more than DM860m in his DM50bn budget and to consider further cuts in troop strength.

First, he was rebuked in an official statement from the Chancellor's office, which rejected his accusation that he was facing "the dictatorship of the finance minister", Mr Theo Waigel. Mr Kohl said the defence cuts were agreed by the whole cabinet.

Then he was left sitting outside a meeting of the coalition leadership in Mr Kohl's office for more than an hour, only to be abruptly told there was no time left to discuss the defence cuts. After he went home they discussed the cuts after all.

Mr Ruhe, who last year won

popular acclaim for attempting to pull out of the European Fighter Aircraft (EFA) project, only to be forced to retreat in the face of furious opposition from the German defence lobby and the British government, has made no secret of his fury at the latest round of cuts.

Although he launched himself as defence minister last year on the promise of delivering the "peace dividend" to the German taxpayer, he now believes the cuts have gone too far.

When Mr Kohl announced last weekend at the Munich security conference that he had ordered a new review of numbers in the Bundeswehr, beyond the current target of 370,000 men by 1995, Mr Ruhe sat in silence, looking set to

explode. That night, he appeared on Bavarian television to charge Mr Waigel (and by implication, Mr Kohl) with high-handed dictatorship.

At stake is a drastic increase in the savings being demanded from this year's budget, as part of the government's consolidation programme to finance spending in east Germany. Originally set at DM300m, the sum was suddenly raised to DM863m in order to scrap a politically unpopular move to means test children's allowances.

Last week Mr Ruhe announced an immediate freeze on all new defence contracts, and the cancellation of plans to buy a DM3bn aerial reconnaissance system from the DS.

THE ROLEX OYSTER - A YEAR TO MAKE - CASE SCULPTED FROM SOLID 18CT GOLD - THE ULTIMATE PROTECTION FOR 200 HAND-CRAFTED PRECISION PARTS - A CLASSIC OF ITS TIME.

**ROLEX**  
of Geneva

**Watches of Switzerland**

BECAUSE ACQUIRING A ROLEX MEANS MORE THAN BUYING A WATCH.

THE ROLEX OYSTER IS A CLASSIC OF ITS TIME. WATCHES OF SWITZERLAND'S EXPERIENCED STAFF WILL TAKE THE TIME TO SHOW YOU WHY, AND OFFER DETAILS OF OUR UNIQUE 2 YEAR GUARANTEE. FOR A COPY OF OUR CATALOGUE, INCLUDING DETAILS OF OUR FULL AFTER SALES SERVICE AND YOUR NEAREST WATCHES OF SWITZERLAND SHOP CALL 071-438 4834. ALTERNATIVELY YOU CAN VISIT OUR LONDON ROLEX SHOWROOM (5 NEW BOND STREET W1) WATCHES OF SWITZERLAND IN BIRMINGHAM • BOURNEMOUTH • CAMBRIDGE • CARDIFF • EDINBURGH • GLASGOW • LEEDS • LONDON • MANCHESTER • MEADONHALL (SHEFFIELD) • NEWCASTLE • OXFORD. PRICE OF WATCH SHOWN £7,238. ROLEX WATCHES FROM £3,545.



## NEWS: EUROPE

# Bérégovoy takes harder line than Bundesbank on implementing Maastricht

## France urges faster move towards Emu

By William Dawkins in Paris

MR Pierre Bérégovoy, French prime minister, yesterday called for faster progress to European monetary union.

This was essential to ensure that the maximum number of European countries could subscribe to the union, though he recognised that accelerating the process was probably not possible for the time being.

Mr Bérégovoy's remarks - at a conference on Europe: The Way Forward, held by the Financial Times and the French newspaper Les Echos - were contrasted with the cautious step-by-step approach to monetary union advocated by Mr Hans Tietmeyer, vice-president of the Bundesbank, who recommended that the timetable laid down in the Maastricht treaty should be strictly followed.

Mr Tietmeyer warned that any attempts to speed up European monetary union would be "dangerous". It would be safer to wait until a first assessment of the impact of the single European market and until the economic convergence criteria detailed in the Maastricht

treaty had been durably achieved, Mr Tietmeyer said.

The timetable in the treaty - in three stages up to January 1999 at the latest - was right, he said. The currency turmoil last autumn had undermined the risk of following "an illusory policy".

The convergence criteria must be "observed very closely" while the European Community must make a political effort to head off the burdens created by the end of governmental freedom to adjust individual exchange rates. Mr Tietmeyer said the present exchange rate parities in the EMS were sustainable and no upsets were expected this year. Imbalances in currency patterns accumulated over years had been sorted out in the realignments started with the currency crisis last September, so that the "EMS has survived and will survive on the basis of current exchange rate parities", he said.

The Bundesbank vice-president paid tribute to the consensus among French political leaders on the need to defend the franc and said he could only encourage them to con-



Bérégovoy issued a warning on progress to monetary union and said that social policies should not be forgotten in the single market.

time. "The fundamental facts of the French economy are OK and, compared to my own country, are better. The franc had saved itself, not just thanks to the Bundesbank's support."

His remarks are likely to comfort those in French political circles who expect that the French and German central banks will have to beat off a renewed assault on the franc about the time of French parliamentary elections next month. Mr Tietmeyer saw no point in forming a separate fixed-rate inner core of two or three strong currencies, the subject of recent speculation in Paris and Brussels. That

"would not be in line with the treaty", the spirit of which is that a basis for monetary union must be laid for all EC members.

"Of course, it is likely that, in the beginning, only some countries would be able to go," he added.

Mr Bérégovoy also warned that the importance of social policies must not be forgotten in the creation of the European single market.

"Europe should not be only about competition and technology, it should also be about solidarity," he said, recalling Hoover's recent decision to close a vacuum cleaner plant near Dijon and shift to lower-

cost production in Scotland. The Hoover affair, which has been drawn into the French election campaign, was also seized on by Mr François Pérot, president of the Patronat, the French employers' organisation, who pointed out that French social charges were so high that the US group could hardly be blamed for its move.

He warned that attempts to interfere with foreign investors' freedom to act could harm France's chances of attracting more foreign investment.

France should continue its hard franc policy - "a floating franc would be catastrophic," said Mr Pérot.

The EC had yet to reach the right balance between a firm application of competition policy and that needed to support important industries, said Mr Dominique Strauss-Kahn, French minister for industry and foreign trade.

No major economy could maintain its position without a strong industrial base, the minister said.

Mr Henning Christophersen, European commissioner for economic affairs, said the lesson of last autumn's currency crisis was that EC member states should ratify the Maastricht treaty as soon as possible.

He also called for further cuts in German interest rates.

# Europe's car sales tumble in January

By Kevin Done, Motor Industry Correspondent

NEW CAR sales in western European plunged by 23 per cent last month compared with a year earlier, according to industry estimates.

Four of the five leading volume markets were affected, led by a 53 per cent drop in Spain. Germany, Europe's biggest, dropped by an estimated 28 per cent to 238,000. France fell by 37 per cent to 113,000, and Italy by 14 per cent to 202,000. The one exception was Britain where new car registrations rose 7.3 per cent, albeit from a very depressed level.

Otherwise, sales were higher in only three of the smaller markets: Norway, Portugal and Ireland.

The scale of the fall will add to growing tensions between the European Community and Japan over the level of Japanese car shipments this year. Officials from the European Commission and the Japanese Ministry of International Trade and Industry failed last week to agree a forecast for the development of the EC car market in 1993.

The forecast is supposed to form the basis for Japan to "monitor" its exports to the EC

under the terms of the 1991 understanding intended to restrain Japanese exports during a seven-year transition period before the EC new car market is opened completely to Japanese competition from the end of 1999.

Earlier this week Mr Jörg Wenzel, head of the private office of Mr Martin Bangemann, the EC industry commissioner, urged Japan to cut its car exports to the EC this year to reflect the slump in the market, or risk provoking a crisis in trade relations. He said the German car manufacturing and supply industry alone was expected to lose up to 40,000 jobs this year after more than 30,000 job cuts in 1992.

Japanese registrations in January fell year-on-year by around 18 per cent compared with the overall fall of 23 per cent, which boosted their total western European share sales to 11.5 per cent from 10.7 per cent a year ago. Carmakers fear a drop of 9-10 per cent in new car sales in west Europe for the whole of 1993.

The much sharper fall in January appears to reflect the special factors, which inflated demand artificially in December and pulled sales forward from January.

## WEST EUROPEAN NEW CAR REGISTRATIONS

	Volume (Units)	Volume Change(%)	Share (%) Jan 93	Share (%) Jan 92
<b>TOTAL MARKET</b>	988,000	-23.1	100.0	100.0
<b>MANUFACTURERS:</b>				
Volkswagen (incl. Audi,SEAT&Skoda)	160,000	-24.1	16.5	16.7
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	130,000	-18.3	13.4	12.3
General Motors [Opel/Vauxhall, USG & Saab]	120,000	-24.0	12.4	12.5
Peugeot/Vauxhall - Saab	115,000	-24.1	11.9	12.0
Peugeot (incl. Citroën)	116,000	-26.9	12.2	12.8
Ford (Europe, USG & Jaguar)	113,000	-25.9	11.7	12.2
Renault - Jaguar	112,000	-28.0	11.2	12.1
Renault††	1,000	+1.4	0.1	0.1
BMW	102,000	-21.6	10.5	10.3
Nissan	32,000	-24.1	3.4	3.4
Volvo	32,000	-18.7	3.3	3.2
Mercedes-Benz	30,000	-8.4	3.1	2.2
Toyota	27,000	-37.0	2.8	3.4
Mazda	23,000	-8.4	2.4	2.0
Volvo††	17,000	-23.8	1.7	1.7
Subaru	15,000	-32.2	1.5	1.7
Honda	11,000	-25.6	1.1	1.2
Mitsubishi	10,000	-17.5	1.0	1.0
Total Japanese	111,000	-17.8	11.5	10.7

ECs imported from US and sold in western Europe. \*Figures include 20 per cent of new car registrations of SEAT, Skoda, Lancia, Alfa Romeo, Ferrari, Innocenti, Maserati, Peugeot, Citroën, Ford, Renault, Nissan, Volvo, Mercedes-Benz, Toyota, Mini, Subaru, Honda, Mitsubishi. \*\*Figures include 20 per cent of new car registrations of SEAT, Skoda, Lancia, Alfa Romeo, Ferrari, Innocenti, Maserati, Peugeot, Citroën, Ford, Renault, Nissan, Volvo, Mercedes-Benz, Toyota, Mini, Subaru, Honda, Mitsubishi. Source: Industry estimates

# Dealers scare the D-Mark's Belgian shadow

DURING the repeated attacks on the European exchange rate mechanism in recent months, at least the system's "hard core" seemed reasonably safe from assault.

This week, however, it was the turn of the Belgian franc - which along with the Dutch guilder has remained closest to the D-Mark in the last few years - to feel the heat of currency strife.

Remarkably, the Belgian franc has sometimes been seen as a surrogate for the D-Mark. In 1990 Belgium decided to tie its currency to the D-Mark at its narrower fluctuation bands than the 2.25 per cent margin generally ruling in the ERM.

This has enabled the Belgian state to borrow at interest rates close to those on German government bonds - despite overall Belgian public sector debt which, at more than 130 per cent of gross national product, is the highest in the EC.

This week, however, confidence in the Belgian franc was undermined as doubts about the country's political stability sparked concern among international investors

about its public finances. One reason for the volatility was the Belgian National Bank's haste in following last week's cut in the Bundesbank's discount and Lombard rates. When the Bundesbank reduced its interest rates on February 4, the Belgian central bank lowered its special advances rate - used in money market operations - from 8.40 per cent to 8.30 per cent.

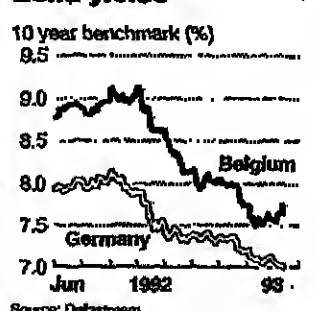
On Wednesday, the Belgian central bank was forced to reverse the effort to cheapen credit. After a sharp rise in short-term interest rates and the beginning of the week, the central bank increased its end-of-day rate from 8.30 per cent to 9.30 per cent.

The difference between yields on 10-year Belgian government bonds and those on ten-year German government bonds narrowed from 1.24 percentage points on August 31 1992 to 0.40 of a point on January 8 this year. But during the last few days the gap has widened to as much as 0.90 of a point.

"International investors simply decided the time had come to take profits, as they couldn't see the yield spread narrowing any further," says one bond dealer.

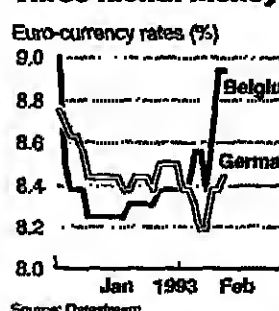
The political worries relate to the constitutional reforms narrowly approved by Belgium's parliament last Saturday. Belgian deputies approved the fundamental part of a far-reaching reform programme which will turn Bel-

## Bond yields



Source: Datastream

## Three month money



Source: Datastream

gium into a federal state and devolve further powers to its regions.

Belgian economic analysts believe that foreign worries that this could weaken the authority of central government are overdone. They point out the success of Belgium's fragile centre-left coalition in winning a two-thirds majority in parliament over the issue.

However, international investors took a different view. Bond dealers in London admit that hardly any foreign market

operators have a detailed understanding of the nature of the constitutional reforms. But the general uncertainty has forced them to re-examine their Belgian government bond holdings.

In particular, their attention was drawn to the link between slack Belgian growth and its rising public deficit, which last year reached BF465bn, (\$3.8bn), 6.9 per cent of GDP.

This is a particular handicap because of the stipulation in the Maastricht treaty that EC members should reduce their deficit to 3 per cent of GNP as a condition for joining economic and monetary union.

The Belgian government is trying to freeze public spending in real terms, increase revenues through fiscal measures and modest privatisation, and stabilise the generous social security budget.

Belgian economists seem puzzled by the new concerns about this old economic phenomenon, and blame non-Belgian bond and

currency traders.

"Of course the government debt is very large," said Mr Lieven Noppe of Kredietbank yesterday, "but it's been that way for almost 10 years and despite that the franc has managed to become a strong currency and interest rate differentials [with Germany] have narrowed."

Yesterday, Belgian analysts and the central bank seemed confident that the attack had been seen off, with the franc returning to near-parity with the D-Mark. But the Belgian government's policy of linking the franc to the D-Mark has been sorely tested.

Mr Alfons Verplaetse, the central bank governor, said last week that the bank would be prepared to allow the franc to fall as much as 0.30 per cent below its BRM central rate again the D-Mark.

Mr Verplaetse underlined on Wednesday that he would take all possible measures to support the franc. Aided by this pledge and the interest rate increase, the currency steadied yesterday. But investors' confidence about the Belgian franc's stability may take longer to return.

# German steelworkers protest at further job losses

By Quentin Peel in Bonn

STEELWORKERS in east and west Germany took to the streets in protest yesterday, as details of further job losses emerged from the country's leading steelmakers.

Hoesch Stahl confirmed that one entire steel plant would have to be closed down, with a loss of between 3,000 and 3,500 jobs, in order to reduce its monthly capacity from 700,000 to between 550,000 and 570,000 tonnes.

A company spokesman said a decision would be taken by the joint board of the newly merged Krupp-Hoesch combine, before the end of February, whether the closure would be at Dortmund, the company's headquarters, or at its sister plant in Duisburg-Rheinhausen, in the heart of the Ruhr industrial area.

Some 1,500 workers yesterday demonstrated outside the gates of the Krupp steel plant at Hagen, near Dortmund, over the planned job cuts - which were specifically excluded

last year when Krupp launched its merger bid with Hoesch.

In eastern Bavaria, some 2,000 steel workers occupied the railway station at Sulzbach-Rosenberg, protesting at the loss of jobs at the ailing Maxhütte steel plant.

In east Germany, some 3,500 workers at the Eko steel plant at Eisenhüttenstadt are planning protests for today, while workers in the Saarland have announced a mass demonstration for March 10.

The announcement by Hoesch that

it will close a plant is the most dramatic development in the German steel industry to date, although IG Metall, the steel and engineering workers' union, estimates that 23,000 in the industry will be threatened by capacity cuts.

Mr Viktor Braun, company spokesman, said that the merger with Krupp had not been supposed to cause any job losses, but "the situation in the market has worsened dramatically since then. It is now worse than at any time since the 1970s."

Preussag AG - the steel, trading, energy and metals group - said yesterday that it would not be able to reduce any capacity, under the EC steel plan proposed in Brussels this week, without causing a reduction in company earnings.

Mr Ernst Pieper, chief executive, said the EC plan would not impose output quotas for individual companies, but leave it to industry to divide the cuts. He said steel production had fallen by 20 per cent in the first quarter of the 1992-93 financial year.

# Pensions dilemma gives politicians grey hairs

Alice Rawsthorn on ageing France's growing gap between contributions and benefits



ASSEMBLÉE NATIONALE Élections '93

MRS Marie-Christine Revel works at a Paris stationery shop which is closing. A widow in her late 60s, Mrs Revel has little hope of finding another job. "I'm not worried," she said, "Whatever happens I'll have my pension."

France's pension system is a point of national pride. People who retire after 37.5 years are entitled to a state pension equivalent to 80 per cent of their average salary in their 10 highest-earning years, up to a maximum of FF149,830 (£18,475) a year. This means that most of France's 7.8m pensioners live in comparative comfort, a "fundamental right" that President François Mitterrand has vowed to protect.

The system, introduced after the Second World War, is run by the state, which pays for pensions from the money received from those in work. But the French population is ageing. There are fewer working people supporting more

pensioners. The problem is getting worse. And it is one of the trickiest political issues in the electoral campaign.

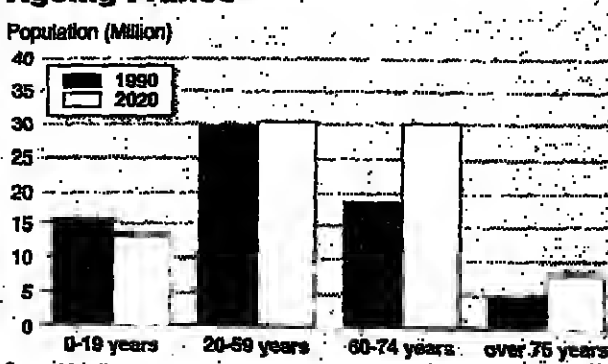
So far a succession of French governments has chosen to ignore the pension problem. They have been deterred by the complexity of the issue and by the opposition of the trade unions and the president.

The present Socialist administration has continued the tradition. An attempt last year by Mr Pierre Bérégovoy, the prime minister, to supplement the state system with a private scheme was stymied by the unions. Mr Bérégovoy was forced to compromise with modest proposals for personal equity plans.

But the strains on the system are now so intense that the next government may not be able to delay. The system already operates at an annual deficit of FF20bn with a ratio of 1.8 employees to each pensioner. By the year 2010, there will be just 1.4 employees for every pensioner. This means the deficit will widen unless pensions are cut or employees' contributions increase.

So far the treatment of the pension issue in the election

## Ageing France



Source: Libération

## THE SYSTEM:

### EMPLOYEES:

14m contributors providing FF268.3bn a year (contribution of 18.35% of up to an annual maximum of FF149,830 - 8.8% from the employer and 6.55% from the employee)

### PENSIONERS:

7.8m pensioners receiving FF282.7bn a year (with 50% of average salary in 10 top earning years to a maximum of FF149,830 if at least 60 years old, having worked for 37.5 years)

Source: L'Express

campaign has shown all the danger signs of fudge and compromise that have impeded past attempts at reform. Mr Bérégovoy last month tried again to focus the Socialist attention on the issue by trun-

peting new proposals for reform.

The prime minister watered down his earlier ideas about introducing private pensions into a less ambitious plan for a fund (financed by the FF100m

proceeds of the privatisation programme) to plug the pension deficit. But his tentative suggestion that the Socialists might consider encouraging people to work for 40, rather than 37.5 years, met with an immediate rebuff from President Mitterrand. He saw it as a threat to an earlier Socialist reform that reduced the retirement age to 60.

Mr Bérégovoy hastily denied that he had any intention of raising the retirement age. But the row over the Socialists' pension policy has rumbled on. The prime minister will begin to try to thrash out a final policy with the unions and employers on Monday. He is also expected to revive the tricky question of the minimum working period.

The conservative coalition of the RPR and UDF, the firm favourites to win the election, has revelled in Mr Bérégovoy's embarrassment. The right has at least hammered out a joint pension policy, but in many respects its plans are as vague as those of the Socialists.

The conservatives have fought shy of raising the retirement age which, according to Mr Jacques Chirac, head of the

# Community CO<sub>2</sub> emissions likely to exceed target

By Bronwen Maddox, Environment Correspondent

THE EC is likely to miss international targets for stabilising carbon dioxide emissions by a margin of at least 4 per cent, according to member countries' national plans submitted to the Commission.

A report circulating in the Commission shows the 12 EC members likely to emit at least 2,878bn tonnes of CO<sub>2</sub> in the year 2000, compared to about 2,776bn tonnes in 1990. The EC is committed to stabilise CO<sub>2</sub> emissions, believed to be implicated in global warming, at 1990 levels by 2000.

The Commission has been urging member countries to produce projections of their emissions. According to the briefing paper, distributed in the environment directorate, some have given targets for curbing emissions while others have used forecasts based on national energy plans.

Commission officials were not available for comment last night on how the gap between projections and international commitments would be met.

According to the paper, Germany, the largest emitter, has the most ambitious plan - to cut emissions in 2005 to 75 per cent of 1987 levels. Denmark is aiming to cut 20 per cent of 1988 emissions by 2005, and the Netherlands and Belgium to cut about 5 per cent of 1990 levels by 2000. The UK, the second largest emitter, is aiming to stabilise levels, as are France and Italy.

However, Greece and Spain expect a rise of at least 25 per cent this decade. Portugal has the highest projected rises, of 29 and 39 per cent, depending

on economic growth.

Mr Andrew Warren, director of the Association for the Conservation of Energy, said yesterday: "These figures show that more has to be done even if countries stick to their national targets - and we can all be sceptical about whether UK will manage to stabilise emissions and Germany manage to come down."

The difference in projections between richer and poorer EC members has caused tension over proposals for carbon and energy taxes, which poorer countries feel should be aimed at the heaviest polluters.

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## EBRD calls for scrapping of the rouble currency zone

By Peter Norman,  
Economics Editor

THE European Bank for Reconstruction and Development yesterday called on the former Soviet republics to abandon the rouble currency zone.

Introducing the bank's first annual economic review, Mr Jacques Attali, EBRD president, said establishing separate national currencies or smaller currency zones could improve the prospects for production and trade among the republics.

The bank, set up two years ago to help former communist states develop into democratic and market-oriented states, said the rouble zone was already crumbling. Ukraine and the Baltic states have left the zone, while Belarus and Azerbaijan have issued coupons for most domestic cash transactions.

The review argued strongly that the remaining members should not try to keep the zone together.

The EBRD said the rouble zone had been undermined by inadequate control of credit and cash creation which had brought its members to the brink of hyperinflation. The absence of co-operation between members of the zone had also generated "enormous pressure to restrict exports and capital outflows, leading to near anarchy in trading arrangements."

By contrast, the introduction of separate national currencies could improve the prospects of production and trade. The EBRD suggested that some republics, once outside the zone, would opt for more prudent fiscal and monetary policies.

The EBRD's call reflects deep

concern at the bank about the deterioration of economic conditions in Russia and other republics. It estimates that real gross domestic product declined by about 20 per cent in Russia last year while inflation averaged 1,450 per cent. Elsewhere, output declined by between 14 per cent (in Uzbekistan and Kazakhstan) and 40 per cent (in Armenia), with inflation ranging between 700 per cent in Latvia and Uzbekistan and 1,600 per cent in the Ukraine.

The bank forecast that output in the republics would decline further this year - although possibly at a slower rate - with the disintegration of old economic links continuing to harm performance.

The bank is more upbeat about conditions in eastern and central Europe. Output in the region declined last year by

about 5 per cent with inflation averaging 60 per cent.

The EBRD said the countries of central Europe "seem poised for moderate economic growth in 1993" and singled out Hungary and Poland as likely to experience increases in gross domestic product.

Mr Attali said exports to the European Community from Hungary, Poland and the Czech republic and Slovakia were rising strongly. In the final quarter of last year, industrial production in Poland was 3 per cent higher than in the previous three months and up 1.7 per cent and 1 per cent in Hungary and the former Czechoslovakia.

He called for more open trade policies and lower interest rates in western Europe to help eastern and central Europe overcome their economic problems.

## US muscle for the mediators

American backing is a shot in the arm for the Vance-Owen peace process, writes Robert Mauthner

THE US endorsement of a negotiated rather than a military solution in Bosnia might be seen by some as too timid an approach, but it has been greeted with relief in the United Nations and by the international mediators.

Some of President Bill Clinton's election campaign ideas on the Bosnian crisis, such as air strikes and the lifting of the arms embargo to help the Moslems, have always been considered by the international mediators. Mr Cyrus Vance and Lord Owen, as likely to exacerbate the conflict rather than end it.

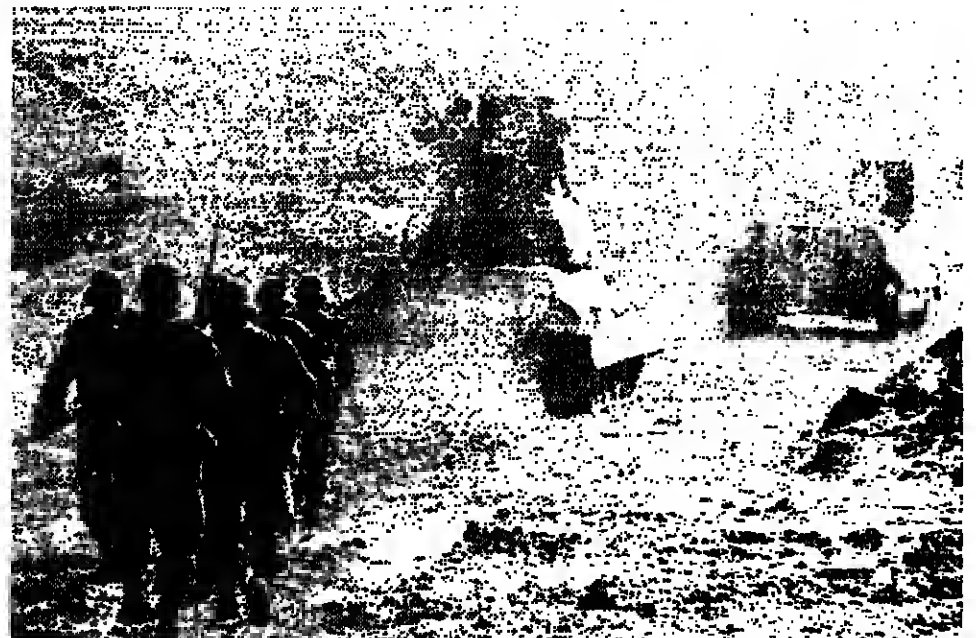
The emphasis placed by Mr Warren Christopher, US secretary of state, on co-operation with Washington's traditional allies and Russia in the search for a peace settlement is seen as putting new life into the stalled international negotiations.

The US may continue to have doubts about the mediators' plan for dividing Bosnia into 10 semi-autonomous provinces, but it has clearly expressed its support for the Vance-Owen "peace process".

Full US participation in the process - through a competent and respected envoy such as Mr Reginald Bartholomew and, not least, Mr Clinton's promise that the US would join international measures to implement and enforce an agreement endorsed by all the parties - provides the negotiators with the kind of muscle they had conspicuously lacked.

Before an agreement can be enforced, however, it has to be reached. The US administration, which has emphasised that it will not impose an agreement on the warring parties, may have to shed more illusions when it comes face to face with their slippery representatives.

The reason why Mr Vance and Lord Owen wanted the UN security council to "impose" a solution was because all their immense efforts to reach a diplomatic settlement in Geneva had run into the sand. They



Bosnian Serbs advance behind armoured cars in a battle with Moslem forces north of Tuzla

felt that only a united security council, with the full backing of the US and Russia in particular, would have sufficient clout to force the warring parties to sign on the dotted line.

Such a procedure would not necessarily have entailed the use of force, but it would probably have involved the threat of force.

Mr Bartholomew will find that the US will have to indulge in the kind of arm-

because the US administration is fully aware that Russia, combined with Serbian, pressure could again shift Mr Karadzic from his entrenched positions.

What is less clear is how much pressure the US is prepared to put on the Bosnian Moslems, singled out by Mr Vance and Lord Owen as the chief obstacle to progress during the New York round of negotiations, but whose inter-

ests the US has vowed to defend.

That special concern for the Bosnian Moslems is understandable, given the suffering they have endured at the hands of the Bosnian Serbs. But, from a negotiating point of view, the lack of the same degree of impartiality as Mr Vance and Lord Owen have shown throughout the long weeks of haggling between the warring parties, may put the US representative at a disadvantage as a mediator and could even undermine the whole process.

The US administration has also made much of the fact that it is not producing its own map for the future ethnic division of Bosnia, mainly because it considers the Vance-Owen map as partially "rewarding" the Bosnian Serbs for their policy of ethnic cleansing and because it does not believe that it can be effectively implemented.

Since, however, the main dispute in the negotiations is about territory, the US, too, will have to think in terms of maps sooner or later. The assumption at the moment is that it will take the Vance-Owen map, which has already been amended to take into account some of the Moslem demands, as the basis for further negotiations.

Any attempt to abandon entirely the concept of a state divided into semi-autonomous regions would be unacceptable to the Serbs, who have been demanding an even greater degree of decentralisation, which would give them virtual independence.

For a Bosnia peace settlement now to be reached, the three mediators will have to maintain a united front and avoid giving the impression that they favour one or the other party.

## Amato sets central bank free

By Robert Graham in Rome

THE final piece of legislation designed to make the Bank of Italy an independent central bank has been approved by the Amato government. The move will end the treasury's ability to use the Bank of Italy to fund the budget deficit.

The legislation also allows the central bank to decide the obligatory reserve requirements of the banking system.

The treasury's account with the Bank of Italy was intended to finance day-to-day public spending needs. But as Italy's public sector deficit grew to more than 10 per cent of GDP, the facility was increasingly abused as a form of permanent short-term finance.

The treasury still owed L80,780bn (£36bn) to the bank at the end of 1992. This debt will now be converted into state paper and handed over to the Bank of Italy. The Treasury will pay 1 per cent interest.

## Yeltsin takes firm line in Moscow power struggle

By Leyla Boulton and  
Dmitry Volkov in Moscow

RUSSIAN President Boris Yeltsin last night met his arch rival, Mr Russian Khasbulatov, chairman of the Russian parliament, in the first round of bargaining towards a truce in their power struggle.

Mr Yeltsin suggested that he would press on with preparations for a referendum on whether the president or parliament rules the country, just in case the parliamentary speaker failed to keep his side of any bargain.

The stand-off over the referendum, which is opposed by Mr Khasbulatov, will continue during two further meetings next week.

Mr Yeltsin may drop the referendum proposal if Mr Khasbulatov agrees to stop trying to cut back Mr Yeltsin's powers until they are defined by a new constitution.

"There are two options, either a referendum or a new

agreement between (the executive and the legislature) with strict guarantees," he told a cabinet meeting. "To drop one or the other would be a big political mistake."

While they met, a Mr Vladimir Shumeiko, the first deputy prime minister, called for a "moratorium on inflationary actions" by the government, parliament and central bank. The cabinet yesterday adopted an anti-inflationary package, vowing to restrict money supply growth to 10 per cent a month and inflation to 400 per cent a year.

He did not say whether it had the support of the central bank, which has presided over very fast money supply growth over the past year.

Although Mr Yeltsin cited the ailing economy as the best reason for a deal with Mr Khasbulatov, he has been driven into a corner over the poll by both the parliament and the autonomous republics within the Russian Federation.

For a start, he cannot guarantee that a referendum would ask the question he wants - do you support the president or the parliament? This is because a compromise at the Congress of People's Deputies last December did not specify what the poll would be about, and allowed both parliament and president to submit alternative lists of questions to the electorate.

Parliament's constitutional committee has come up with a list of 11 obscure questions on the details of a new constitution, while Mr Khasbulatov has also proposed a 12th question on whether the electorate wants fresh presidential and parliamentary elections.

A poll could also undermine the unity of the Russian Federation if leaders of Tatarstan, Yakutia, and other semi-independent republics go through with their threat to boycott the referendum. Some observers fear this could accelerate a break-up of the federation.

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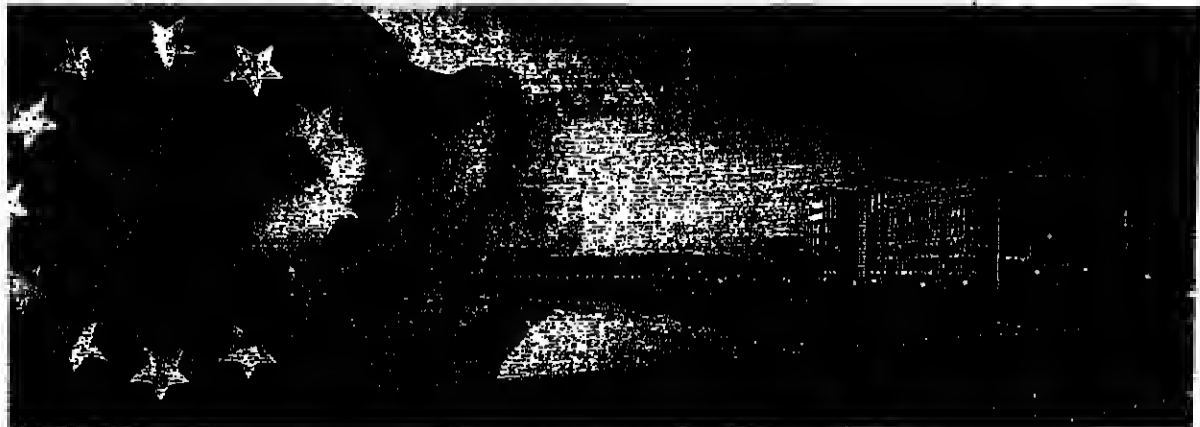
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## NEWS: INTERNATIONAL

# Indian rupee plunges amid talk of reform

By Stefan Wagstyl in New Delhi and R C Murthy in Bombay

THE Indian rupee yesterday fell to an all-time low on the foreign exchange markets amid growing speculation that the government will announce the rupee's further liberalisation of the currency.

Bankers believe Mr Manmohan Singh, finance minister, will publish sweeping new measures in his budget speech, due to be presented to parliament on February 27.

The Reserve Bank of India, the central bank, has done nothing to curb speculation, which has grown in the last 10 days. Mr R. Jagannathan, deputy governor, yesterday declined to comment on the rupee's value.

However, dealers judged as significant the entry into the foreign exchange markets of state-owned oil companies, which had obtained foreign currency at preferential rates directly from the reserve bank.

The Indian currency has fallen 6 per cent against the US

dollar this month and it closed yesterday in Bombay at Rs33.44 to the dollar, its lowest ever.

Mr S. Ananthakrishnan, executive director of the foreign exchange dealers' association of India, said exporters had pulled out of the market in anticipation of being able to change their foreign currency at better rates in future, while importers were rushing to cover their requirements. The rupee was falling so rapidly the market was "illiquid", said Mr Ananthakrishnan.

The rupee exchange rate was fixed until 1991 when the government of Mr P V Narasimha Rao, prime minister, introduced partial floatation in wide-ranging economic reforms. Exporters and others bringing foreign exchange into the country were permitted to exchange 60 per cent of their remittances at free market rates and the remaining 40 per cent at a fixed (low) rate of Rs26.20 to the dollar.

Bankers in Bombay believe the government could now either abolish the fixed rate

altogether or cut the 40 per cent requirement to 20 per cent or so. This would act as an extra incentive to exports, which the government would like to boost so as to aid economic growth.

The problem is that, until now, the foreign currency bought at cheap rates by the reserve bank has been used by state-owned companies for the purchase of key imports, including arms and fertilisers, as well as oil.

This has enabled the government to subsidise energy and fertiliser prices. A move to free the rupee further would therefore either force the government to cut subsidies or try to raise other funds from its meagre resources.

Finance ministry officials decline to comment on the budget's contents, but it is widely expected in Delhi that there will be cuts in subsidies. The budget is also expected to contain substantial reductions in import tariffs, with the maximum normal rate of import duty coming down from 110 per cent, perhaps to 70 per cent.

## Delhi bans rally by BJP to avoid clashes

By Stefan Wagstyl

THE Indian government, which is struggling to restore political calm after the recent inter-religious violence, yesterday banned a planned mass rally by the right-wing Hindu Bharatiya Janata Party.

The BJP, whose supporters sparked the unrest after they stormed the Ayodhya mosque, replied by pleading to go ahead with the gathering on February 25. The party claims the rally could attract 1m people.

The government's decision and the BJP's defiant response could raise political tensions and undermine ministers' efforts to get over the Ayodhya crisis.

Mr S B Chavan, home minister, said the BJP's demand for a rally was "dangerous" and

"provocative" at a time of inter-religious tensions. The party's failure to prevent the destruction of the Ayodhya mosque "inspired little confidence that the rally would be peaceful". The BJP retorted by condemning the government's "fascist tendencies". It said party leaders would meet today to plan ways to continue with the rally. Party leaders may go on hunger strike to gather public sympathy.

Later yesterday Mr Chavan extended the ban to all political rallies in the capital for a few months.

The BJP's aim is to force the government to hold elections in the four northern states where BJP governments were sacked, after the mosque was stormed on December 6, and central rule was imposed.

## Malaysian sultans agree curb on rights

MALAYSIA'S hereditary sultans yesterday agreed to constitutional amendments that will sharply curtail their legal immunity. AP reports from Kuala Lumpur.

Their decision ended a month-long confrontation and helped avert a potential constitutional crisis, the deputy prime minister, Mr Ghafar Baba, announced.

The deputy prime minister said that the rulers, who wield limited constitutional powers, reversed an earlier rejection of the amendments and accepted the legislation with some modifications.

Government officials said their acceptance means in effect that they could now be prosecuted in court for assault, not paying debts and other offences.

The dispute between the government and the rulers had prompted a daily barrage of commentary and articles in Malaysian newspapers.

Some of the articles revealed publicly for the first time the peccadilloes of the royal households.

The government also retailed by systematically stripping members of the royal families of privileges they enjoyed but which were not specifically provided for in state legislation.

Uncertainty about the duration and political ramifications of the conflict had dampened the sentiments of domestic investors in recent weeks, keeping turnover at the Kuala Lumpur Stock Exchange relatively subdued.



President François Mitterrand of France with the Cambodian head of state, Prince Norodom Sihanouk, in Phnom Penh yesterday. Mr Mitterrand was the first French leader to visit

France's former colony since Charles de Gaulle came in 1966, writes Victor Mallet in Phnom Penh. Mr Mitterrand appealed to Cambodia's rival political factions to abide by a peace agreement

signed in Paris in 1991 and warned them not to disrupt or challenge the results of the UN-sponsored elections in May. The peace accords have been undermined by continued fighting

between Khmer Rouge guerrillas and the Vietnamese-installed government, and by the refusal of the Khmer Rouge to participate in the elections or allow UN forces into its territory.

## China debates how to control boom

Beijing sees high growth rates and investment as mixed blessings, writes Tony Walker

CHINA'S announcement this week that it was cracking down on the spread of economic development zones is perhaps the clearest sign yet that the leadership has resolved to restrain some of the country's wilder entrepreneurial impulses.

But judging by the continuing debate in the Chinese press about the dangers of economic overheating - scarcely a day passes without reference to the problem - the leadership is far from a consensus on measures to cope with China's booming economy, which registered double-digit growth last year.

Discussions on the subject among China's leaders appear to have been lively, with reformists such as Zhu Rongji, the vice-premier in charge of the economy, being accused by conservatives of possessing a "Great Leap Forward mentality".

This refers to China's disastrous attempt in the late 1950s to modernise its economy overnight. In a speech reported this week, Zhu answered critics - and at the same time sought to reassure foreign investors who remain the key to China's modernisation drive - by saying that the government was not about to change course.

Among conservatives such as Li Peng, the prime minister, there is a feeling, according to western economists, that the Chinese economy may have

A consultancy which would assist in restructuring and privatising Chinese state-owned industries is under discussion by the International Finance Corporation, the World Bank arm specialising in private sector finance, writes Alexander Nicoll. Sir William Rytie, the IFC's executive vice-president, said in London yesterday that it had been asked to study the idea by Zhu Rongji, the vice-premier who oversees China's economic reform programme. China's bloated and inefficient state-owned industries are a serious obstacle to its drive for a market economy. The consultancy would examine all issues connected with revitalising the industries, including management, pricing policies and accounting. The IFC is discussing the concept with western accounting and consulting firms.

moved beyond Beijing's ability to control it without drastic measures that may themselves bring chaos.

The growing independence of powerful economic regions, such as Guangdong province in the south, is not the least of the constraints on the central government's ability to curb activity.

The government's decision to freeze economic development zones, which enjoy special privileges such as tax breaks, came in response to growing criticism that it had lost control of licensing arrangements; and furthermore that thousands of hectares of invaluable agricultural land were being commandeered by those involved.

According to the English-language Business Weekly these zones had grown from 117 officially approved at the end of 1991 to some 2,000 - and possibly many more - by the

end of 1992. "The State Council (cabinet) has announced it will recommend imposing tighter controls over new economic development zones in order to curb what has become a blind capital construction craze," the paper said.

Burgeoning demand for building materials prompted a surge in prices last year. Steel prices rose by some 15 per cent and cement by 14 per cent, fuelled by the nationwide construction boom that saw imports of iron and steel rise to 6m tonnes - double the figure for 1991.

Debate within the leadership about the mixed blessings of high growth rates is almost certainly being sharpened by preparations for the forthcoming National People's Congress, or parliamentary session, due in March, at which economic targets will be unveiled for the coming year; not that planned growth tar-

gets have counted for much in the past year or so. China's real GNP grew by about 12 per cent in 1992, exceeding both the planned 6 per cent and the 9 per cent average of the past 13 years.

Industrial output grew by nearly 20 per cent. Chinese leaders, including both the cautious Li and Zhu, the reformer, have been talking of the need for "macro" steps to cool the economy, but neither has been very specific about measures that might be adopted.

Towards the end of last year, it seemed that China was heading towards more severe credit curbs - a first round of restrictions were issued last July - but more recent signals from China's central bank governor indicated that Beijing was not planning to embark on a tight monetary policy, for the time being.

"The projected bank loans for this year are more than those of last year, so by no means will we implement a tight monetary policy," said Li Baoyuan, head of the People's Bank.

Li added that credit growth planned for this year was "proper and can back the economy to continue developing in a rapid and sound manner".

That may be so, but figures for 1992 reveal the real dimensions of the challenge facing the central authorities in their efforts to pace the economy in the face of an astonishing surge in new investment.

Fixed asset investment grew by about 30 per cent, bank lending increased by around double the planned figure, money in circulation doubled, and the broader measure of money supply (M2) charged ahead by 28 per cent. Infrastructure deficiencies in the power and transport sector may in the end prove the most effective break on frenzied development.

In the meantime, western economists are fairly sanguine about China's ability to cope in the short-term with its extraordinary growth cycle while resisting a resurgence of inflation.

The national living costs price index rose a relatively modest 6.2 per cent last year, although the rate was much higher, perhaps around 15 per cent, in the larger coastal cities such as Guangzhou, Tianjin and Shanghai, which have been the main centres of economic activity.

However, "they are in waters no-one has ever swum in before", said one economist. "The International Monetary Fund doesn't know what China should do. China has gone further in reforming a centrally planned economy than anyone has before, and this has taken enormous economic and political courage."

## American Palestinian released by Israel

By Hugh Carnegie in Jerusalem

ISRAELI yesterday released without charge an American Palestinian accused by Israel of involvement in Hamas, including ferrying funds to its activists and helping it reorganise following the deportations, without any formal charges being laid against them. It also complained over the conditions of their detention. Mr Salah and Mr Jarad are still under arrest but have yet to be charged.

Mr Mohamed Haddad, a US citizen resident in the West Bank, was set free more than two weeks after he was detained, as police decided there was no evidence against him to back an indictment.

The US twice protested to the Israeli authorities over the treatment of Mr Haddad and two other US citizens from Chicago, Mr Mohamed Salameh and Mr Mohamed Jarad. They were arrested amid allegations by Israel that much of the organisation of Hamas had been switched from the West Bank and Gaza Strip to the US. The allegations were made as Israel faced widespread international

condemnation over its expulsion of 400 alleged Hamas activists to Lebanon.

The US was concerned that the three men had been publicly accused by Israel of involvement in Hamas, including ferrying funds to its activists and helping it reorganise following the deportations, without any formal charges being laid against them. It also complained over the conditions of their detention. Mr Salah and Mr Jarad are still under arrest but have yet to be charged.

● Palestinians reported yesterday that Israeli soldiers destroyed 12 houses with anti-tank missiles in the Gaza Strip, the latest in a string of similar attacks where troops have attacked houses of suspected gunmen after evacuating their inhabitants.

Meanwhile, nine Palestinians were wounded, including five children under 15 years of age, in further violence which claimed the lives of two Palestinians and one Israeli on Tuesday and Wednesday.

## Hong Kong fears interference by Beijing

By Simon Holberton in Hong Kong

PLANS by the agency of the Chinese government responsible for Hong Kong affairs to participate in a locally based investment company have raised fears in the colony about undue political interference in the operations of Hong Kong's economy and financial markets.

Beijing's Hong Kong and Macao Affairs Office (HKMAO) is the leader of a group of mainland Chinese government bodies which may take up to 40 per cent of the New China Group. The principal activities of this company are stock brokerage, corporate finance and investment in mainland business ventures.

The company was formed late last year by a group of Hong Kong investors led by Mr Tsui Tsun Tong, a businessman with long-standing mainland connections. Other investors include Mr Li Ka Shing, one of the colony's wealthiest

man, Mr Cheng Yu Tung, chairman of New World, a property developer, Mr Stanley Ho, Macao's gambling tycoon, and Singapore's Trade Development Board.

Chinese state and provincial companies have had a presence in Hong Kong since the beginning of the 1980s, and their collective investment in the colony is well in excess of US\$15bn (£9.9bn), hnt

HKMAO's involvement in New China is the first time an overtly political entity has sought a business presence in Hong Kong.

"I think it is disgraceful," said a Chinese merchant banker. "This is a political body which is responsible for Hong Kong affairs. The current Hong Kong government has always kept out of business, except for regulation. This is a dramatic change in the way things have been

done; we feel that we no longer have a level playing field."

HKMAO is directly responsible for the negotiations governing Hong Kong's transfer to China in 1997. Merchant bankers believe that HKMAO may be able, or be seen, to trade on price sensitive information. Merchant bankers have lobbied the Securities and Futures Commission, Hong Kong's financial watchdog, but it appears powerless to do anything.

But the conservative leader, Mr John Henson, has yet to match Mr Keating's policy promises. Mr Henson has already said he would not match such an "unfunded" package which left a gaping hole in the budget.

The conservatives are proposing a goods and services tax and cuts to business taxes, such as payroll, wholesale and fuel taxes.

Introduced early last year, they have been well received by business. Even more welcomed is Mr Henson's industrial relations package, which would reduce union power by allowing employers and employees to negotiate directly over working conditions.

In an attempt to recover some of the working-class vote, Mr Henson late last year sweetened his proposals by exempting food from the goods and services tax. He is expected to offer more sweeteners soon.

Campaign scores may change dramatically after an American-style television debate between the two leaders on Sunday. Mr Keating can be expected to unleash the power of his parliamentary debating skills.

A big advantage for Labor is the voters' natural fear of change. In Western Australia's state election last week a discredited Labor state government, widely expected to be humbled, was dealt a muted blow by an electorate uncertain about the conservatives' radical industrial relations and tax policies.

## Australia hears of 1m reasons not to vote Labor

Keating's hawkish campaign takes a knock from latest unemployment figures, writes Emilia Tagaza

WHEN Australians were told by the official statistics bureau yesterday that more than a million of them were unemployed last month, prime minister Paul Keating found it difficult to sustain the hawkish tone with which he launched his election campaign this week.

Seasonally adjusted, the January unemployment rate actually fell to 10.9 per cent from December's 11.3 per cent. It was also the first time it had fallen below 11 per cent since September last year.

However, the shock figure of 1,001,800 blurred the vaguely rosy picture. And it was certainly no plus for Mr Keating in a campaign being run on economic management and employment issues.

It was the highest figure since the great depression of the 1930s, and its bitter aftertaste will linger throughout 1993, when the jobless rate is widely expected to stay in double digits.

The jobs figure started the rollercoaster trail of the ruling Labor party's election campaign. At kick-off on Monday the party rode high on a favourable response to the business incentive package launched by Mr Keating. The vote-buying package would have helped to steal some votes from small and medium businesses who have previously supported the policies of the conservative Liberal-National coalition.

He has dangled a substantial tax cut for companies: from 39

per cent to 33 per cent. He also offered a one-off 10 per cent investment allowance for businesses buying plant and equipment.

The package would also have looked in some swinging voters among the middle-class baby boomers. It promised a 30 per cent cash rebate for work-related child care plus 150,000 new child-care places.

But the lustre of the package is slowly fading as the costs it would involve emerge. Overall government spending will rise by A\$2.2bn (£950m) over three years, further worsening the budget deficit.

Already Mr Keating has acknowledged that the 1992-93 budget deficit will reach A\$15.9bn, up from the original estimate of A\$13.4bn. Gross domestic product growth expectations for 1992-93 have also been cut from 3 per cent to 2.5 per cent.

The business community has also pointedly claimed that Mr Keating's package missed the important issue of industrial relations. The leading employer groups, the Business Council of Australia, and the Australian Chamber of Commerce and Industry, both said investment stimulation would require not only tax cuts but quick changes to the country's labour relations system.

From the start Labor was on the defensive. When Mr Keating called the surprisingly early election for March 13, the party was still licking its wounds from its defeat in the state election in Western Australia. At the same time the

party was embarrassed when a high-ranking federal parliamentary official, who is also a close "mate" of Mr Keating, resigned over a controversial A\$65,000 accident compensation payment.

However, Mr Keating is well known for his uncanny ability to turn political adversity into advantage at the most unexpected moment.

The conservative opposition coalition needs only six more seats to win power in its own right, five if the lone sitting Independent MP is re-elected. At the moment the 147 seats are divided among Labor (77), conservatives (68), one independent and one vacant but previously occupied by an independent.

Five days into the five-week campaign, the conservatives are hammering the theme "10 years of economic hardship under Labor is enough". Now they say there are a million reasons not to vote Labor.

But the conservative leader, Mr John Henson, has yet to match Mr Keating's policy promises. Mr Henson has already said he would not match such an "unfunded" package which left a gaping hole in the budget.

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A Sydney futures dealer bids after the release of jobless figures

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Regulator broadened agency's enforcement role

## Breeden steps down early as SEC chief

By Patrick Harverson  
in New York

MR Richard Breeden is to step down as chairman of the Securities and Exchange Commission in the next two months, he said yesterday, ending a busy and sometimes controversial three-year reign as the most powerful securities regulator in the US.

Although Mr Breeden is leaving before his term expires in June, his resignation was expected in the wake of the Democratic victory in November's presidential election.

A lawyer with strong ties to the Republican party, he was appointed by President George Bush in 1989. He had previously been part of the White House staff and a key member of the team that arranged the bailout of the collapsed US savings and loan industry.

A new chairman is likely to be appointed by President Bill Clinton in the next few weeks.

There is no clear indication from the administration on who will succeed Mr Breeden, but the frontrunners are believed to be Ms Consuela Washington, now securities counsel to the powerful House energy and commerce committee, and Mr James Cheek, a Tennessee securities lawyer who enjoys the backing of Vice-President Al Gore.

Mr Breeden said yesterday there was no particular reason for his early departure. "It was simply time to go," he said.

During his tenure as chairman he broadened the agency's enforcement agenda, sought to rid the securities industry of needless regulation and promoted improvements in corporate governance. He also reformed the fast-growing mutual fund industry, eased restrictions on capital-raising by small companies and earned a reputation as a tough enforcer of the rules governing financial markets.

Mr Breeden also launched the Market 2000 study of equities trading, the first big study of US markets in 20 years. It is due out this summer.

Mr Breeden did not escape criticism, particularly over his role in allegedly politicising the normally independent office of SEC chairman. He was attacked for aligning the agency's policy too closely with the White House line, a charge he always denied.

He also clashed on a number of occasions with other regulatory agencies in Washington. The SEC fought with the Commodity Futures Trading Commission over who should regulate stock index futures, and with the Federal Reserve over bank accounting methods.

There were also skirmishes on the world stage, most recently with other members of the International Organisation of Securities Commissions over uniform capital standards for securities firms.



Breeden: 'Simply time to go'

## Clinton takes message straight to the people

By Jurek Martin  
in Washington

IF Mr Bill Clinton wanted to demonstrate that there are more ways of communicating a message than via the Washington press corps, then his first televised presidential "town meeting" in Detroit on Wednesday night was, on balance, a success.

The president made little hard news as such, beyond confirming such known trends in his thinking as the likelihood of higher corporate and personal income taxes for the more profitable and affluent.

Sacrifice, he argued, had to be shared fairly. The fact that he had inherited a federal budget deficit of \$500 billion (€350bn) higher than he had been led to believe meant that sacrifice, in higher taxes and spending cuts, was unavoidable.

But he again displayed his singular talent, much in evidence throughout the election campaign last year and in the economic session at Little Rock in December, for explaining complex policy issues in easily understandable terms.

The best example of this came when he was asked by a teenager suffering from systemic lupus, a chronic ailment,

how people with similar conditions could be assured of acquiring the sort of long-term health insurance cover that was being denied her.

Mr Clinton sympathetically answered that the key was the size of the insurance pool. If small, like the 60 or so people in the TV studio, then it only took one or two people with long-term illnesses to bankrupt the pool.

But, if the community pool was big enough, "the risk of your care is spread across large numbers of people and insurance companies make money the way grocery stores do - a little bit of money on a lot of people instead of a lot of money on a few people."

Other presidents have used this folksy approach to good effect - notably Franklin Roosevelt in his radio "fireside chats" of the Depression era and Ronald Reagan in his regular Saturday morning broadcasts, also on radio.

Mr Clinton is continuing the Reagan custom, as did President George Bush, though to much less effect.

Intended to focus mostly on economic and related social policy issues, and involving studio audiences in Detroit, Seattle, Atlanta and Miami -

the town meeting covered much other ground, including the admission of homosexuals to the US military and the latest US initiative in Bosnia. However, the only question on the controversy of Mr Clinton's failure to find an attorney-general came from one of the media interlocutors.

The media reviews yesterday morning were mixed-to-favourable. The Washington Post said Mr Clinton had been put on the defensive by sharp general questioning about his breaking of campaign promises ranging from middle-class tax cuts to policy on Haiti.

But the New York Times found that he seemed at ease in the familiar format and successfully got his key messages across. "With his strong presence, he appeared to be resuscitating his fortunes after a period of heavy criticism."

The Washington press corps is becoming agitated in that Mr Clinton has yet to give a formal presidential press conference, though his staff insist, with some justification, that there have been plenty of opportunities to question him. It is a fair bet, however, that the town meeting format will be used again and again.

## Consumer spending growth rate slows

By Michael Prowse  
in Washington

THE RATE of growth of US consumer spending slowed last month but remained consistent with a solid economic recovery, figures from the Commerce Department indicated yesterday.

After seasonal adjustment, retail sales grew 0.3 per cent last month and by 6.6 per cent in the year to January.

The increase was led by a 1.1 per cent monthly rise in sales of motor vehicles and accessories. Excluding vehicles, retail sales were up only 0.1 per cent.

However, few analysts expected the pre-Christmas surge in consumer spending to be sustained. Yesterday's figures appeared consistent with projections of real growth of consumer spending at an annual rate of perhaps 2.5 per cent in

the current quarter, down from 4.3 per cent in the fourth quarter of last year.

Officials also announced substantial, but largely offsetting, revisions to previous months' figures. December figures were revised down to show an increase of 0.8 per cent over November rather than the 1.2 per cent reported earlier. However, November sales were revised up to show a fall of 0.1 per cent rather than 0.5 per cent.

The net effect was to leave sales in the three months to January 7.2 per cent higher than in the same period last year. The figures do not allow for price inflation of about 3 per cent over the period.

Separate figures yesterday showed a 12,000 decline to 340,000 in claims for state unemployment insurance in the week ending January 30.

## Teacher strike may add to Los Angeles school woes

By George Graham  
in Los Angeles

BESET by violence, low academic achievements and fierce budget cuts, the Los Angeles school system now faces a possible teachers' strike, unless last-minute mediation produces a settlement.

Teachers have voted to strike in two weeks time, after the school board had responded to the worst financial crisis in its history by slashing nearly \$200m (£140m) from salaries.

The impending stoppage is one more challenge for the embattled Los Angeles schools. They are called on to provide social services ranging well beyond education, and carry the burden of a place in the front line in the city's racial conflicts. This burden has

worsened since six days of rioting last year left 42 people dead and some 700 businesses burned or looted.

These tensions are now high again, as the city prepares for a second trial, in a federal court this time, of the policemen accused of beating the black motorist Mr Rodney King. It was their surprise acquittal, in a state court, which set off the riots. Attention is also focused on the trial of youths accused of having beaten Mr Reginald Denny, a truck driver, during the riots.

The unified school district, spreading far beyond the city of Los Angeles, is one of the largest and most diverse in the US, with many of its 645,000 students living below the poverty line and a high proportion from recent immigrant families whose English is weak.

Politicians from the San Fernando valley, north-west of Los Angeles city, are now backing a plan to break up the school system to create smaller districts more responsive to local needs.

A rival initiative, the Los Angeles Educational Alliance for Restructuring Now, countered this week with a proposal for massive decentralisation of the school district's powers. The Learn proposal would give individual schools control over their own budgets, as well as over the selection of teachers and of teaching methods.

Also, state schools throughout California could be shaken up by a statewide proposition, to be put to a ballot next year, to give parents vouchers that they could use to pay for their children's education in state or private schools of their choice.

Business and unions united against proposal

## Cheque tax protest in Brazil

By Christina Lamb  
in Rio de Janeiro

THE powerful business community and trade unions of São Paulo state, Brazil's industrial hub, yesterday began a campaign against a new tax that is central to the government's fiscal reform.

The government hopes to raise the equivalent of \$4.6bn through the controversial 0.25 per cent tax on cheques, recently approved by the House of Representatives and due to be voted on next Thursday by the Senate.

The honeymoon that President Itamar Franco has enjoyed since he took office in

December ended yesterday when some 50 leading business and union organisations, with the mayor of São Paulo city, participated in a rally to call for a nationwide protest movement.

Demanding that the government sort out its finances and crack down on evasion, rather than increase taxes, the protesters called on the Senate to vote against the cheque tax and warned that it could result in price increases of as much as 50 per cent.

Mr Carlos Eduardo Moreira, head of the São Paulo Industries Federation, said: "The new tax will not help anybody. It's time we did away with these blood-sucking measures by

Brasília that bring no benefits for society."

The São Paulo rebellion is likely to have a considerable impact on the Senate and comes as a blow for Mr Franco. The new tax is the main plank of government strategy to plug a \$13bn hole in the budget this year and is seen as vital for a new Brazilian accord with the International Monetary Fund.

Mr Franco said yesterday: "I respect the right of anyone to demonstrate against anything, including the tax. But I hope these businessmen will also respect the right of society to protest against the high cost of living caused by their outrageous prices."

THE SLOVAK REPUBLIC - 22ND MARCH 1993  
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## NEWS: WORLD TRADE

## Brittan brings trade policy charges

By Andrew Mill in Brussels

SIR Leon Brittan, the EC trade commissioner, yesterday opened legal proceedings against three of the Community's most liberal traders - Britain, the Netherlands and Germany - for undermining a common trade policy.

The announcement was condemned by British and German officials in Brussels as "astonishing" and "ridiculous", and attacked as a thinly veiled attempt to push through controversial Commission proposals.

als to accelerate EC anti-dumping procedure.

Sir Leon believes the countries have broken EC law by taking unilateral action to abolish or extend national quotas on goods from "state trading countries" - China, Vietnam and North Korea. Existing quotas expired when the single market began on January 1, and Sir Leon claims member states should have asked for Brussels' permission to extend or abolish them. The products affected include shoes, gloves, toys and crockery.

Formal letters of complaint will now be sent and if the Commission is not satisfied with the replies it could eventually take the countries to the European Court of Justice.

The harmonisation of quotas is linked to anti-dumping proposals which Britain, Germany and the Netherlands claim will give Brussels too much control over the EC's arsenal of trade weapons. The Commission says it cannot separate the quota problem from its proposals on trade weapons, because southern member states such

as France will not agree to harmonise or abolish import restrictions unless anti-dumping procedure is speeded.

"If you talk to importers around the Community, they are in complete confusion about who they are meant to do," said Sir Leon's spokesman yesterday. "The risk is that by renationalising quotas they are undermining the single market: one country which might like to maintain limits on imports cannot because another has [unilaterally]

opened its borders."

But British diplomats yesterday blamed the Commission for not coming up with an alternative interim strategy. "We think [the Commission] is wrong legally and wrong politically," said one.

Both Britain and the Netherlands have extended last year's quotas until the end of March, while Germany has gone for full liberalisation, abolishing its remaining restrictions. Denmark, Italy and Greece have all sought Commission authorisation for interim measures.

## Investment pours back into Latin America

It may be a mixed blessing, reports David Dodwell

LATIN AMERICAN countries crippled by the burden of debt repayment throughout the 1980s have seen a reversal in the past two years as private investors have poured funds into the region. From net outflows of more than \$13bn (\$3.6bn) in 1990, they recorded net inflows of almost \$26bn last year.

While Mexico's modest net inflow of \$3.8bn in 1990 has soared to \$15.3bn, Argentina has seen a net outflow of \$4.9bn transformed into an inflow of more than \$5bn. Venezuela, which has recorded \$4.2bn in 1990, saw net inflows of \$344m last year. Even the region's biggest debtor, Brazil, has seen an outflow of \$7.4bn in 1990 turn into an inflow of \$1.4bn last year.

This striking turnaround, described by World Bank and United Nations economists at this week's conference of the London-based Overseas Development Institute on economic prospects for developing countries, provided an important signpost for the 1990s: it is set to be "the decade of equity investment" in developing countries. Those which hope to improve their plight must capture equity flows - whether in the form of foreign direct investment, bond issues, or portfolio equity investment - or founder.

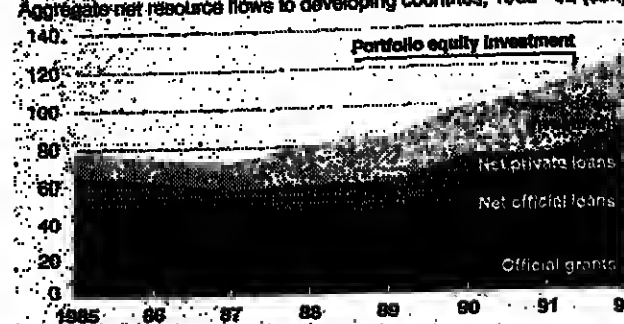
While the change of the past two years has helped the liberalising states finance a surge in imports, World Bank officials argue it is a mixed blessing: private investment, particularly portfolio investment, is notoriously volatile. Also, as the countries of the industrial north rise from recession, the present tidal flow of funds could swiftly reverse as US, European or Japanese companies seek finance.

But its potential benefits are great: it brings new technologies, management know-how, and training for workers, boosts export capacity and provides access to export markets. Portfolio investment can lower the cost local companies face in raising capital.

Whether the improvement of the past two years can be sustained remains uncertain, particularly in Latin America, where economists say the inflows may be a "windfall" consequence of recent economic liberalisation.

## The Tount of funds

Accountable resource flows to developing countries, 1985-92 (\$bn)



According to Mr. Zigo Vodenšek, economist at the Inter-American Development Bank, they have been critical in enabling countries in the region to pay interest on debts totalling \$450bn. As debt service accounts for 30 per cent of export earnings, countries face a balance of payments problem that is likely to grow until exports rally, or imports fall.

Bonds may provide another rich source of funds. Well below \$6bn a year between 1986 and 1990, they soared to \$15bn in 1992, according to Mr. Cristian Ossa at the UN Department of Economic and Social Development. He predicts bond issues will grow by 10 per cent a year in the near future.

Economists are more confident over Asia's prospects. Most investment flows are now generated within the region, with one-time consumers of investment like Hong Kong, South Korea, Taiwan and Singapore now joining Japan to become important net investors across the region.

Gloom is strongest in sub-Saharan Africa, where aid flows account for 11 per cent of the region's GNP and almost 100 per cent of foreign cash flows. The region's capacity to attract private funds is seen as limited, reinforcing other pessimistic forecasts for prospects in the 1990s.

## Clinton wants renewed trade 'fast track'

By Nancy Dunna in Washington

PRESIDENT Bill Clinton will ask the US Congress for an extension of the "fast-track" negotiating authority which is vital to completing the Uruguay Round.

The announcement was made by Mr. Mickey Kantor, US trade representative, after his first meeting with Sir Leon Brittan, the EC external trade commissioner. Mr. Brittan said this would give "immediate life to the Uruguay Round corpse". He said a fine balance must be found in the timing of

the extension so there was enough time to complete the negotiations but not so much that momentum was lost.

Mr. Kantor said the timing, duration and appropriate conditions for the extension would be determined in meetings with Congress and the private sector. There has been much speculation in Washington that the round must be wrapped up with a one-to-six-month extension to make way for another round to deal with issues such as the environment and competition.

The fast-track authority allows a president to submit a trade agreement

which can not be amended, for an up-or-down vote in Congress. Under the current authority, at least an outline of a completed Uruguay Round deal would have to be sent to Congress by March 2.

Having diplomatically agreed that their first meeting, which lasted for two hours, had been "useful and productive", both officials demanded the absent economic superpower - Japan - play a more active role in completing the round. The implication was that Japan now must agree to an opening of its rice market and make further

concessions on cutting or eliminating tariffs.

Both men acknowledged continued differences on a wide range of issues. Sir Leon said the new steel tariffs imposed by the Commerce Department were "altogether unjustified and excessive", and he would bring his complaints of them to the General Agreement on Tariffs and Trade.

He said the US threats to levy sanctions on March 23 in a dispute over government procurement gave the EC leverage to get barriers removed in the US government procurement market.

## Black Sea beckons Greek Cypriots

By Kerin Hope, recently in Nicosia

A PLAN for Cyprus to help develop the Krasnodar region of Russia, on the Black Sea, is an unprecedented challenge for the growing number of Greek Cypriot companies working in former Soviet-bloc countries.

A joint Russian-Cypriot development agency should be operating by summer to Krasnodar, capital of a territory with 4.8m people. The area includes Novorossiysk, largest Russian port on the Black Sea, and the tourist centre of Sochi. Mr. George Vassiliou, the Cyprus president, who speaks Russian and is backed by the island's strong Communist party, suggested the project to former Soviet President Mikhail Gorbachev more than five years ago.

Mr. Vassiliou, once a marketing and management consul-



Vassiliou: gateway to Russia?

"The most frustrating thing for a foreign businessman in Moscow is the maze of bureaucracy, itself not certain what it can do," he says. "Under this arrangement, Cyprus will support the local government in Krasnodar with approval from the centre. It will be possible to avoid Moscow."

Greek Cypriot consultants will set up a legal framework for foreign investment in Krasnodar, organise training for local officials and make economic and feasibility studies for development projects. The agency will have a branch office in Cyprus, financed by the Cypriot government.

Greek Cypriot companies already have a lot of trading experience in eastern Europe. Since the collapse of the Soviet Union, Greek Cypriot lawyers and accountants have been helping Russian clients set up offshore companies on Cyprus.

Greek Cypriot travel companies are already showing interest in developing tourism in Krasnodar. But Mr. Vassiliou's larger purpose is for Cyprus to become a gateway for west European and US investors in south Russia.

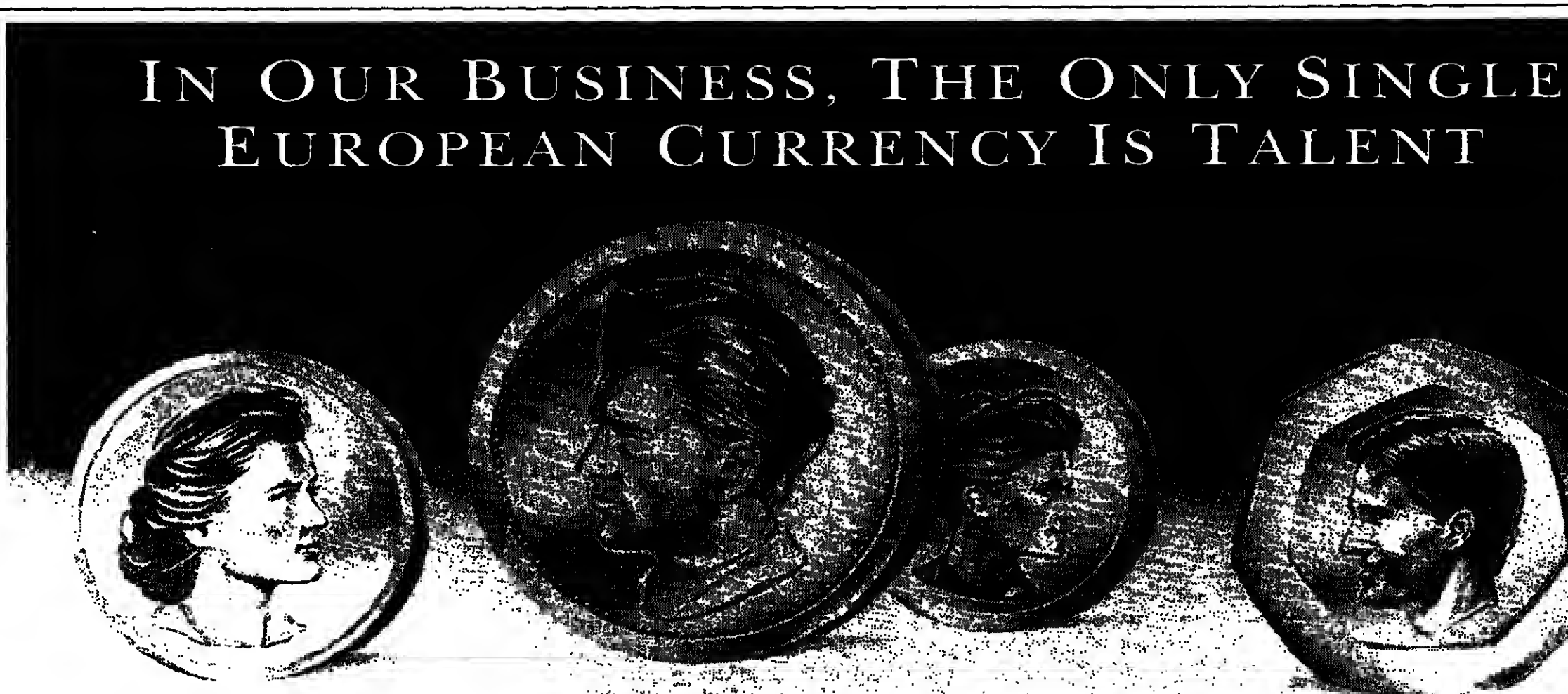
Next month, the Cyprus Telecommunications Authority (CYTA), the state telecoms monopoly, will open a satellite phone link with Moscow as the first stage in improving communications with Krasnodar.

Under CYTA's agreement with the Space Research Institute in Moscow and Astra, a state-owned company that has taken over a former military telecommunications satellite, 60 international lines will be added to the Russian network, to be routed through an earth station on Cyprus.

"This may not sound like a big step forward until you consider that the whole of the former Soviet Union may have had fewer than 1,000 international lines - compared with 2,000 on Cyprus," says Mr. Adam Kritiotis, CYTA assistant general manager.

Russia's communications ministry has decided Cyprus is to be one of two big "teleports" linking it with the rest of the world. By the time the development agency is set up, Krasnodar will be one of a dozen Russian cities whose international connections pass through the Astra satellite and the Cyprus earth station.

In the next three years, CYTA plans to reinforce the satellite link with Russia through a \$25m project to lay a submarine cable to Krasnodar across the Black Sea from Bulgaria. The connection with Cyprus would be made through an existing fibre-optic cable network across Bulgaria and a submarine cable from Greece.



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# Central banker warns against fresh rate cut

By Peter Marshall,  
Economics Staff

MR EDDIE George, deputy governor of the Bank of England, the UK central bank, who steps up to governor in July, yesterday warned against further cuts in interest rates and said inflation was under control. He also fired a shot in a war of words with the City of London's commercial and financial institutions by criticising "supposed pundits" from the markets who complained that UK monetary policies lacked credibility.

In his first policy address since his promotion last month, Mr George

offered "total commitment" to the goal of price stability. He poured scorn on suggestions that the Bank was at odds with government ministers over the correct way to lift the UK from recession.

Mr George also said that a premature move to a single European currency and a single central bank would involve "serious economic risks" ahead of greater convergence of economic conditions across the continent.

Mr George's robust speech in Frankfurt, however, failed to lift the pound, which after recent heavy selling remained weak last night. It also prompted rejoinders from some City

commentators who said his comments did little to quell scepticism about how much the Treasury and Downing Street listened to the Bank before setting interest rates.

Last night the pound closed in London against the D-Mark down 1 penny at DM2.3325, close to its all-time low. Sterling also lost ground against the dollar, closing down nearly 1 cent at \$1.416, while gilts also finished slightly lower.

Mr George's speech was designed to counter speculation about rifts in policymaking, principally involving Mr John Major, the prime minister, and Mr Norman Lamont, the chancellor of the exchequer.

Many in the markets believe Mr Major wants to cut interest rates quickly to spur demand, with Mr Lamont and the Bank urging caution because of the way this could trigger inflation.

The deputy governor - nicknamed "Hard Eddie" on account of his hawk-like views on inflation - said the Bank and the government were "at one" in seeing "little justification and very little room" for a further easing in interest rates.

Mr George, who takes over from Mr Robin Leigh-Pemberton when his 10-year term ends, added that "there can be no question of benign neglect" in relation to the value of

the currency. Since the pound's departure from the European exchange rate mechanism last September sterling has lost 15 per cent of its value.

The 4-percentage point cut in interest rates since September to 6 per cent was "fully justified" by the need to boost demand while keeping inflation low. The fall in the pound and the looser monetary conditions "need not threaten" the government's target of keeping underlying inflation at 4 per cent or less. He was satisfied that cost pressures facing UK industry were "under control".

Re-affirming his well-known scepticism about European monetary inte-

gration, Mr George said the option of some countries moving faster to a monetary union after the recent ERM tensions would be a dangerous step. It would do little to solve the problems of economic imbalances across Europe linked to German unification.

Mr Peter Spencer, chief economist at Kleinwort Benson, the London investment house, said: "Until it becomes clear that the Bank is winning the arguments [with the government] over interest rates then it is very hard to take his words at face value."

Excerpts from speech below

## Maastricht vote prompts battle for MPs' support

By Ivo Dawkins,  
Political Correspondent

A BATTLE for the hearts and minds of British MPs began in the House of Commons yesterday over the next vote on the Maastricht treaty amid widespread doubt in all parties as to the wisdom of the government's strategy.

As officials in the Foreign Office began to prepare briefing notes on the implications of a government defeat on an opposition amendment calling for the social chapter to be included in British legislation to ratify the treaty, the so-called Euro-sceptics were drafting their own counter-propaganda at Westminster.

Several Conservative backbenchers, however, voiced disquiet at the decision to make the vote on Labour's amendment the acid test for the survival of the treaty.

With the outcome on a knife-edge, government loyalists backed the tactic. They argued that Mr Douglas Hurd's uncompromising warning that defeat could kill the treaty will

help shore up the Conservatives' narrow 21 vote majority. But even among these, few believed that the foreign secretary had any chance of achieving the secondary objective of persuading pro-European Labour and Liberal Democrat MPs to break ranks with their colleagues to save the treaty.

Furthermore, doubts were spreading over the government's assertion that approval of the Labour amendment would leave it a stark choice between accepting the social chapter or sinking the treaty.

A number of Tories who disapproved of Lord Tebbit's inflammatory speech on Wednesday, nonetheless, support him in saying the amendment would make treaty ratification more difficult with no mutual obligation on Britain to accept the social protocol.

Sir Nicholas Bonsor, Tory chairman of the defence select committee, said yesterday that he had given an undertaking to ministers that he would not back the social chapter. But he insisted that he was not cer-

tain that this would be the inevitable consequence of voting for Labour's amendment. "I would not vote for something that would enforce the social chapter, but if it does not do that, I remain entirely undecided," he said.

Several Tory MPs also questioned whether the government's early unveiling of one of its most powerful sanctions was a mistake. One even cited Mr Major's claim that he was the greatest Euro-sceptic in his cabinet to suggest that perhaps the government might be unworried by defeat.

"The prime minister has to show his European partners that he has fought as hard as he could for the treaty," he said. "But if in the end it was defeated, Mr Major would still be able to make that claim while having regained a united party."

Labour business managers believe that the government's only hope of victory depends on doing a deal with the Ulster unionists.

Joe Rogaly, Page 12

## Queen to pay tax on income at 40%

By Alison Smith  
and John Authers

QUEEN Elizabeth II and the Prince of Wales are to pay income tax so far as possible according to normal tax rules, Mr John Major, the prime minister, announced yesterday.

For the first time the sovereign will also be liable for capital gains tax and inheritance tax, though with the important exception that inheritance tax will not apply to the transfer of any assets from the sovereign to his or her successor.

The move, which Mr Major emphasised was at the Queen's initiative, was announced in principle last November after there had been widely expressed public unease at the cost and behaviour of the royal family.

Lord Airlie, the lord chamberlain, said that the recent emphasis on royal wealth had tended to obscure and distort the Queen's contribution to national life, and that this - not the embarrassing publicity surrounding the Queen's children - had prompted the change.

Commenting on estimates of her private funds ranging from £100m to billions of pounds, he said: "Her majesty has authorised me to say that even the lowest of these estimates is grossly overstated."

The main point to disturb the broad cross-party welcome for the arrangements was the decision on inheritance tax, which was raised by Mr John Smith, the opposition Labour leader. Mr Major insisted that it was needed to protect the independence of the monarchy from the risk of the sovereign's assets being "salamitised" through successive generations.

The prospect of a radical shift towards a more limited, constitutional-style monarchy appeared to have receded, however, as Lord Airlie told a press conference that "these additional costs can be met without compromising the standards and style which are expected of the Queen and of the monarchy as a whole."

Tory MPs urged that the change should not amount to a "voluntary" sovereign. The arrangements are intended to separate the Queen's official income, expenses and assets from those that are personal, on which she will pay income tax at the top rate of 40 per cent from the beginning of April.

Lord Airlie said the royal household was run as effectively as any other business in the UK, and that it "really ran a tight ship". A Buckingham Palace spokesman said that its accounts were subject to "a far tougher audit" from the Treasury than it would be from the National Audit Office.



Taxing times: the Queen, seen at the European Parliament last year, is to pay tax on her personal income from next month. George III paid income tax in 1800 - a year after its introduction.

## Latest royal chapter in the long history of income tax

THE QUESTION of whether the monarch should pay income tax has vexed relations between the Crown and the government of the day since the beginning of the century.

A tax on income was first introduced in 1799, as a temporary measure, by William Pitt the Younger, the prime minister, to help meet the enormous cost of the Napoleonic wars.

The monarch then, the interminably mad George III, paid it from the following year, in line with the introduction of legislation which allowed him to own lands privately rather than in trust for the whole nation.

Income tax was abolished in 1816 but re-introduced in 1842 by the founder of the modern

Conservative Party, Sir Robert Peel. The monarch, the young Queen Victoria, was persuaded to pay the tax "voluntarily" which she did throughout her reign.

But when in 1894 the Earl of Rosebery, the prime minister, introduced estate duty, the monarch was exempt.

Capital transfer tax and inheritance tax, which drained the estates of the rest of the British aristocracy, did not apply either.

Queen Victoria's successor, Edward VII, tried hard behind the scenes in 1904 to gain exemption from paying tax on his Civil List payments: those payments made by the government to the monarch.

He failed, but when his son

George V succeeded him in 1910 the question was addressed again.

The government then began a process of gradually widening exemption by deciding that the monarch should pay tax only on income from his private estate.

In 1931, George V accepted a large cut in his Civil List in return for winning tax exemption on rental income from the Duchy of Lancaster.

His son, George VI, began to reclaim income tax on private investment income and persuaded the government to start paying for the upkeep of Buckingham Palace.

Under the present Queen, immunity from income tax has been widened further still.

## Coal rebels threaten pit defeat

By David Owen  
and Michael Smith

PROSPECTIVE Tory rebel MPs yesterday responded to the leaking of a draft policy document on coal by warning the government that it would face defeat if it pressed ahead with the plan in its current form.

Mr Winston Churchill, the Tory MP, said the proposals did not go far enough in saving threatened pits and would prompt a revolt "big enough to defeat the government on the floor of the House."

The warning came after it emerged that the government's

draft plan envisaged expanding the market for domestic deep-mined coal by about 12m tonnes a year on average for five years.

The package has been widely interpreted as implying the rescue of only a dozen or so pits - based on the traditional scale equating 1m tonnes of coal to one pit and 1,000 jobs.

But British Coal said yesterday that productivity improvements over the last year had raised the average pit's output to about 1.5m tonnes per year. This rendered the old rule of thumb invalid.

The government draft also came under attack from Mr

Richard Caborn, Labour chairman of the trade and industry select committee, whose report on coal yesterday's proposals largely passed over. Mr Caborn said the plans would "do no more than provide a breathing space for a limited number of pits."

"It may offer the government a quick political fix but it would deny the country a unique opportunity to develop a rational and balanced energy policy."

Later, Mr Tim Eggar, energy minister, promised a government response to "every one" of the committee's recommendations.

## Indonesian steelmaker in talks on Ravenscraig

By Andrew Baxter

THE Indonesian company negotiating to buy plant and equipment from British Steel's closed Ravenscraig steelworks in Lanarkshire, Scotland, was named yesterday as PT Gunawan Dianjaya, a family-run steel producer.

British Steel said in November it was negotiating with an Indonesian company, and confirmed yesterday that it was having serious discussions with Gunawan.

The company had emerged as the most likely buyer from a number of interested parties.

According to the Herald newspaper in Glasgow, a team of experts from Gunawan visited the plant recently and their report is being studied at the company's headquarters in Surabaya, eastern Indonesia.

British Steel stressed yesterday that any agreement could be months away.

The Herald quoted an official of Gunawan saying that Malaysia would be the most likely destination for the steelworks equipment.

Ravenscraig closed last June with the loss of 1,300 jobs and virtually all the equipment is still in place. Theoretically, Gunawan could buy the blast furnaces and coking ovens but its interest is likely to focus on the hot strip mill, commissioned in 1982 and closed early in 1991.

Mr Peter Simon, steel products research manager at London-based Commodities Research Unit, said the mill could be used to roll slabs into coil for the fast-growing steel markets of south-east Asia.

According to the Herald, Gunawan last year installed an 800,000-tonne-a-year plate mill at Surabaya, using equipment bought from Dillinger, Europe's biggest steel plate producer.

## Recovery in truck sales appears to slow down

By John Griffiths

THE RECOVERY in UK commercial vehicle sales that began last autumn appears to be running out of steam. On a year-on-year basis, total sales were up only 4.4 per cent in January. This compares with increases of nearly 8 per cent in December and 15.25 per cent in November.

The figures reflect "the continuing serious state of the commercial vehicle industry which has been all too tragically demonstrated by events of the past few days," according to Sir Hal Miller, chief executive of the Society of Motor Manufacturers and Traders, in a reference to the collapse of UK truck market leader Leyland DAF.

SMMT statistics show that sales of trucks over 3.5 tonnes were only 0.77 per cent higher last month than in the previous January, while sales of heavy trucks over 15 tonnes were actually some 5.43 per cent lower.

The irony of Leyland DAF's position - in receivership while being the UK market leader - was emphasised by its own 23.23 per cent sales rise in January compared with a year ago, giving it a market share of 25.39 per cent.

DAF's UK receivers warned yesterday they could shut the company down completely should a threatened strike take place today, and the company's rivals were already preparing to capture any vacated sales territory.

## Bank official underlines UK 'commitment' to Europe

Excerpts from the first policy speech by Mr Eddie George, currently deputy governor of the Bank of England, and recently named as the next governor

"THE DRAMA over sterling's exit from the European exchange rate mechanism (ERM) left many people with the impression that the UK is still both soft on monetary discipline and lukewarm in its commitment to Europe. I aim to persuade you that this impression is quite wrong on both counts."

"Sterling's ERM suspension was the result of exceptional divergence between the domestic policy needs in Germany and the UK. It had nothing to do with the UK being soft on monetary discipline."

"When the break [with the

ERM] came last September people could be forgiven for thinking that it represented a radical change in the objectives of monetary policy."

"In reality, in this respect, the ERM was an important part of the framework of monetary policy. The substance of policy had throughout been, and remained, to achieve and maintain price stability in the medium and longer term."

"I have no sympathy at all for those supposed pundits who continuously complain that policy is obscure or even non-existent and that we are living from hand-to-mouth. And I have no sympathy for those commentators who scrutinise the fine print of every official statement trying to detect the most minute differences of emphasis as between growth and stability from one day to the next."

"I do not know of anyone involved at any level in the process of monetary policy decision-making or its implementation, who does not share the conviction that price stability

is a necessary precondition for sustainable growth of output and employment."

"In fact, since we left the ERM, the aim of monetary policy has never in my recollection been more clearly or precisely stated in the UK."

"The aim is, in the chancellor's words, 'a rate of inflation in the long term of 2 per cent or less' and, for the remainder of the present parliament, 'to keep underlying inflation within a range of 1-4 per cent', and 'to be in the lower part of that range by the end of the parliament'."

"Having a clear objective is not in itself enough, though it is not a bad starting point. Confidence must be earned through deeds rather than words, and I recognise that this will take time."

"In commenting on my own appointment as governor, the chancellor stated that the new governor's central responsibility would be 'to support the government in its determination to bring a lasting reduction in the rate of inflation, the

only sound basis on which sustainable growth and secure jobs can be built. We take both these responsibilities extremely seriously within the Bank."

"Recent progress [in UK inflation] is especially encouraging in that it reflects a very considerable improvement in domestic cost performance."

"Pay settlements and average earnings are running at their lowest rates for some 25 years; and with productivity - especially manufacturing productivity - improving over the past year faster than in earlier recessions, unit labour costs, for so long the Achilles heel of the British economy, have scarcely risen at all in manufacturing in recent months. Recent cuts in interest rates have been justified in terms of the Government's immediate and longer-term objectives for inflation."

"We took [sterling's recent depreciation] fully into account in reaching our judgment about the appropriate policy stance."

"Depreciation, even if it proves to be temporary, is itself a source of potential inflationary pressure, so that there can be no question of benign neglect in relation to the exchange rate."

"But it is not the sole influence on inflation, and it need not threaten the target for inflation, so long as domestic costs remain firmly under control - as, I have explained, they currently are. And it may well be that sterling's recent fall will tend to reverse itself as cyclical developments narrow the interest rate differential between the UK and its Continental partners."

"In this connection - on the basis of all the information currently available to us - the government and the Bank are at one in seeing little justification and very little room, for further adjustment in our own stance."

"The turbulence within the ERM over the past six months or so points up the real dangers of moving ahead too quickly to a harder ERM, and

beyond that, to exchange rate fixity before adequate convergence has been achieved."

"Some people have drawn the opposite lesson. They have argued on the contrary that the recent problems within the ERM should be resolved by pressing on even faster to a single currency, which would, in particular, remove the possibility of disruptive speculation."

"I find this view less than persuasive. The absence of the tensions of the last six months has been the divergent domestic policy needs between member countries. That problem has been real. It would not simply disappear with the disappearance of national currencies."

"We remain concerned that premature steps to monetary union would involve serious economic risks. It is unlikely that sterling will rejoin the ERM in the short-term until closer and more durable convergence between the domestic policy needs in Germany and the United Kingdom has been re-established."

## Britain in brief



## Machinery investment increases

Capital spending by manufacturers rallied in the second half of last year, according to government figures that will increase confidence about growth prospects.

Investment in machinery, which accounts for about four fifths of all capital spending in the sector, held up particularly well. It showed a small increase in the second half of last year, compared with the first half and the final six months of 1991.

The provisional seasonally-adjusted figures from the Central Statistical Office underline cautious optimism that the UK may be poised for recovery. Manufacturing accounts for just under a quarter of the economy.

## CBI seeks tax concessions

The Confederation of British Industry called for higher first-year capital allowances and more generous corporation tax rules for smaller businesses, as part of a 10-point Budget submission.

The programme would cost between £500m and £1bn in a full financial year, but Mr Howard Davies, CBI director-general, argued that the boost to the small companies sector would lead to higher tax revenues in the longer term.

## Fewer poll tax summonses

The number of summonses issued for non-payment of poll tax, the local government tax, in England and Wales in the third quarter of the financial year was 2.3m, down from 3.02m in the same quarter a year ago, the Lord Chancellor's Department announced.

In addition, 1.92m liability orders were made, compared with 2.38m a year before, and 9,526 people attended liability hearings, compared with 18,627 a year earlier.

## Five-year deal

Vauxhall won a five-year contract to supply driving school group BSM with its new Corsa small car. The exclusive supply contract was previously held by Rover group, which has delivered up to 5,000 Metros annually to BSM for the past decade.

## US exhibition

The UK motor racing industry, including component and accessory suppliers, is to stage its first big commercial and technology exhibition in North America at the Indianapolis 500, the US' premier motor race, in May - with the backing of the Department of Trade and Industry and Society of Motor Manufacturers and Traders. At least 31 of the 33 cars entered for Indy car racing this year will be UK made.

## Lottery bonus

The planned national lottery will create about 1,000 jobs in the organisation itself and hundreds more in the marketing, printing, computing and security industries, says a research report for the National Heritage department.

## Second Test

Indian batsman Navtej Sidhn (below) drives the ball to the boundary during the first day of the second Test match between England and India at Madras.

India scored 275 for two to leave England with an uphill fight to save the series. England captain Graham Gooch had to quit the match because of food poisoning which also afflicted his colleagues Mike Gatting and Robin Smith, forcing them to leave the field.









Della Bradshaw discovers why synthetic perfumes are beginning to outperform their natural counterparts

## On the scent of a bestsmeller



Fragrance in a flask: synthetic oils are less expensive than natural ones and their quality and supply can be guaranteed

The dream of every perfumer is not fields of purple lavender nor hillsides covered in bright yellow mimosa – not even gardens full of sweet-smelling roses. It is the one synthetic chemical that will give that most elusive of products – the best-selling fragrance.

For although a perfume may boast high notes of jasmine or undertones of musk, these days the vast majority of perfume oils are produced in a chemistry laboratory rather than a field.

"The trend is towards more synthetic components," points out Terry Goodacre, senior perfumer at Drogoco, one of the dozen fragrance and flavour companies now employed by the top perfume houses to develop new perfumes. He acknowledges that naturally-derived oils "always have the edge", because each fragrance oil can be made up of thousands of individual chemical components, each in minute proportions.

But recent developments in synthesising oils that replicate natural flower fragrances, and the development of completely new chemical components, are beginning to rival – and even outperform – their natural counterparts.

One big advantage of synthetic oils is that they are less expensive than their natural equivalents. Grasse, in the south of France, for example, provided many of the flowers for the perfume industry until tourism pushed up the price of land along the French coast and made large-scale flower cultivation uneconomical. It takes a tonne of jasmine flowers to produce just a few kilos of perfume oil.

The price, quality and supply of synthetics can also be guaranteed. When frost hit the Californian orange crop in December 1991, for example, the price of natural orange oil soared. And until recently, perfumers have imported much of their oak moss and lavender from the former Yugoslavia and many of the resinous fragrances from Somalia. There are now fears that supplies from both these areas could be jeopardised.

The art of the chemist is twofold. First, scientists have to formulate a chemical oil that is as near as possible to the natural source. Traditionally, that has been done by extracting the oil from the plant and then analysing it. But many of the latest high-priced perfumes have used fragrances derived by a new method known as "head space analysis".

In this, rather than analysing the flower oil, scientists concentrate on the odour which emanates from the living flower before it is picked. This can be particularly useful with flowers such as daffodils, from which oil cannot be extracted.

The volatile substances from the

flower are vacuumed up over several hours or days. The sweet-smelling air is cooled to condense out the fragrant materials. These are analysed using traditional spectrometry and, if all goes according to plan, replicated.

The difference between the analysis of a flower oil and the results of the vacuum method can be "quite startling", says Goodacre. One reason for this is that when oils are extracted from flowers, many of the component chemicals are broken down, affecting the smell.

Analytical techniques used to catalogue the volatile components of a natural oil have now become so sophisticated that they can identify those that appear in minute quantities – just a few parts per million. So chemists can go back to popular flowers – the rose is the obvious case – and synthesise these trace chemicals so that the artificial rose oil smells even more like that from the original flower.

Second, and more excitingly, chemists are discovering new fragrant components. "All the time we're looking for new smells, we're all striving for this new component," says Tony Mills, chief perfumer with Bush Boake Allen, the fragrance and flavour company.

Typically, each perfume is a blend of 30 to 50 oils, although a complex blend can contain up to 200

"With chemistry, we can come up with a whole new direction."

Few perfumers even dare to believe that they will concoct the second Chanel No 5 – a constant bestseller since it was introduced in 1923. What they hope for is a fragrance which other perfume houses will be forced to emulate.

Failing that, they aspire to create a novel fragrance by experimenting with existing chemicals in innovative mixes. Typically, each perfume is a blend of 30 to 50 different oils, although a complex blend can contain up to 200 components.

"It's very exciting to build a winning fragrance around an ingredient that has been on the shelf all the time," says Mills. On the BBA shelves there are up to 1,300 different chemicals.

Once a perfume is created, the novel element can be used in the marketing. The Japanese cosmetics company, Shiseido, for example, heavily promotes its new perfume, *Feminité du Bois*, on its sultry ingredient, cedarwood.

Industry experts reckon that in spite of the frequency of perfume launches in the past few years, truly innovative fragrances have been few and far between. In the late 1970s, for example, Ralph Lauren introduced *Lauren*, with its distinctive blackcurrant note. Other

perfume houses followed with other fruity fragrances.

Most recently, Aramis launched *New West for Her*, with its clean melon fragrance which other perfume houses are still trying to emulate.

One reason, believes Astra West, fragrance evaluation manager with BBA, is that once a perfume reaches the market evaluation stage, consumers invariably opt for something comforting rather than something challenging.

"The familiar always wins," says West. And with that in mind, few brand managers are prepared to stick their necks out in order to back a truly innovative product with the prospect of losing millions of pounds. "There are very few Eddie Lauder's left in the world, who say that's the one I want," adds West.

Creating a new perfume is inevitably a complex process. "It's a bit like advertising," says Goodacre. "The client comes to us with a brief of what they want and we pitch for the business."

The brief could be something as general as a marketing strategy – the age of the potential wearer and lifestyle, say. Other briefs would be more complicated, identifying specific elements in the fragrance.

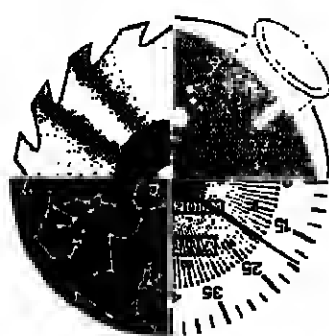
One of the biggest problems is interpreting what the client wants. But a "language of perfumery" has developed – with "floral notes", "green notes" and so on. "One of the most misinterpreted words I've ever come across is the word 'fresh'," says West, citing the numerous different interpretations of the word.

In spite of all the research involved in creating the vital combination of oils and aromas, as little as 15 per cent of a bottle of perfume is actually oil, says Peter McDougall, an analyst at BZW, the London securities house. The most plentiful component is alcohol – 55 per cent – followed by distilled water. In a bottle of eau de parfum the oil content can be as low as 8 per cent, and in eau de toilette as low as 4 per cent.

And in terms of the cost of production, the ingredients in a bottle of perfume account for only 5 per cent of the total outlay, adds McDougall. The research and development costs a further 5 per cent, and there is the additional cost of the expensive equipment needed for the distillation process.

But for those eager to buy their loved ones a bottle of the latest perfume for Valentine's Day on Sunday, it is sobering to remember that most of its cost is accounted for not by the fragrance but by sales and marketing activities, packaging, distribution, and, of course, the profit margin.

### Worth Watching • Della Bradshaw



#### Apple Computer's latest bites

Apple Computer has introduced a colour-screen version of its big-selling portable computer, the Macintosh Powerbook, more than a year after the launch of the original monochrome machines, writes Daniel Green.

The Powerbook 165c should appeal to those who prepare work for their colour-desktop machines or business presentations while on the move. It can display 256 colours and uses the 68030 chip, the most powerful microprocessor that Apple has yet put in a portable computer.

The Powerbook 165c costs £2,745. Apple: US, 408 996 1016; UK, Freefone Apple.

#### A new resin takes the floor

Formaldehyde is widely used in the production of vinyl kitchen floors and other flooring and roofing materials – but it's best known as a poison.

Most attempts to find a substitute have failed on grounds of physical performance. But a company in Philadelphia claims to have developed an alternative that matches the performance of formaldehyde binders and resins.

Rohm and Haas say the tensile strength of its water-based acrylic resin permits lower fibreglass weights and therefore cuts costs. Rohm and Haas: US, 215 592 3000; UK, 081 686 8844.

#### Home and dry

A heated towel rail which switches itself on before you get into the bath, or shutters that automatically close at sunset are the promises of a home automation system developed by the French consumer industry

company Groupe Moulinex. Scenario uses the domestic electric wiring system to send signals from a control unit, just the size of a telephone, to appliances which are plugged in around the house. Each appliance is wired to an "intelligent" plug, which acknowledges orders and sends back a message to the central console to confirm that the order has been carried out.

The system can also be activated by telephone. Groupe Moulinex: France, 1 49 20 72 00.

#### Safety in the cot

A low-cost monitor intended to save the lives of babies at risk from cot death has won first prize in the Toashiba Year of Invention competition for an 18-year-old Scottish schoolboy.

The Breathe Sure monitor should sell for about £60, compared with several hundreds of pounds for the monitors used in many hospitals. An Edinburgh company of medical equipment suppliers, JMW Systems, is already building prototypes.

The Breathe Sure sensor, which is attached to a cloth belt, picks up the infant's breathing. Each time a breath is detected a green light flashes on the electronic monitor which is hung from the cot or pram. Should breathing stop or become irregular an alarm sounds. JMW Systems: UK, 031 440 3633.

#### Coming out in the wash

A technique similar to that used in the production of bath oil capsules has been developed by chemists in Northern Ireland to produce the latest home laundry convenience product – sachets of laundry liquid.

The developers, SB Chemicals, of Lisburn, Co Antrim, believe the product reduces the amount of unnecessary chemicals used in domestic washing machines.

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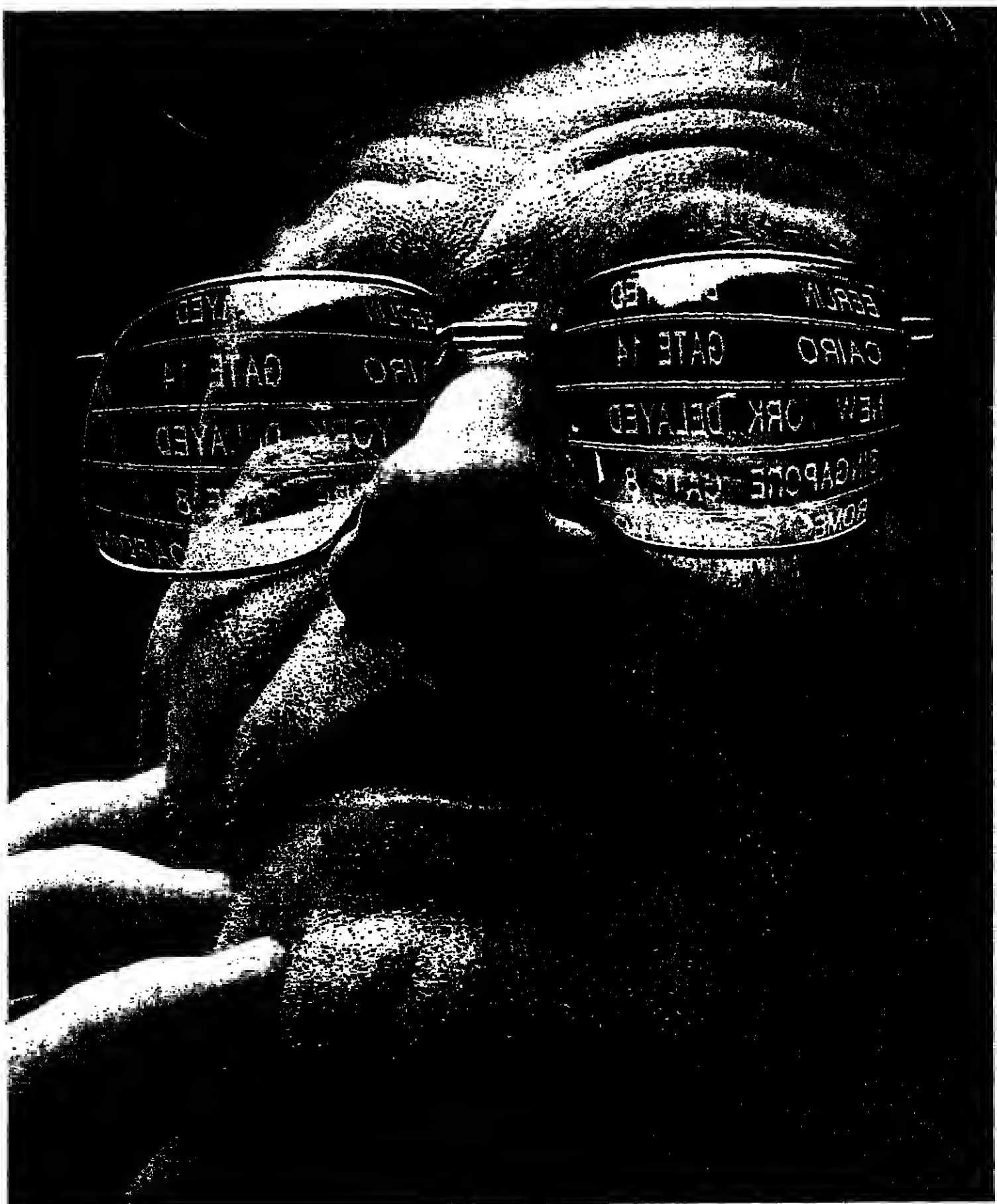
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## Investors export US zeal

US institutional investors, out of whose bottle the genie of corporate governance first crept, are exporting their activism abroad.

According to a study\* published yesterday by the Boston-based Institutional Responsibility Research Centre, US shareholders have nearly doubled the number of ballots they are casting at overseas corporate meetings. In 1992, US institutions exercised their vote on 40 per cent of their non-US stock, up from 24 per cent the year before.

UK institutions fare badly by contrast. The National Association of Pension Funds in 1991 found that fewer than 20 per cent of British institutions voted on share resolutions for stocks in their home market, though the NAPF says such apathy may be changing.

American investors are increasingly taking as hostile a stance abroad as in the US, where they have toppled senior management at IBM, American Express and General Motors. Board positions were opposed in 7.8 per cent of cases in 1992, up from 3.5 per cent in 1991, the survey found. "With more than \$250bn (£168bn) worth of international stock at stake, US shareholders are saying they can't afford to ignore the hazards of different corporate governance practices abroad," said Stephen Davis, director of IIRC's Global Shareholder Services.

However, the study finds that non-American corporations are fighting back against institutional activism. Many German corporations appear to be deleting shareholder proposals from proxy materials and ballots sent to US investors, while most US investor votes cast at annual meetings of UK, Australian and Canadian annual meetings are never counted.

Norma Cohen

\*Full results in: *Global Voting: Shareholder Decisions 1991-92*, available from Investor Responsibility Research Centre, 155 Massachusetts Ave NW, Washington DC 20036. Price \$75.

Past! Fancy being paid in gold bars, diamonds or even cocoa beans? Bizarre as it seems a growing number of UK companies have been turning to commodity-based bonus schemes, which tax experts reckon may be costing the government tens of millions of pounds in "lost" National Insurance revenue.

The present popularity of the schemes is attributable to two main factors: a growing fear that the chancellor may raise the level of NI contributions in next month's Budget, and suspicion that he could crack down on apparent loopholes at the same time.

National Insurance planning is one of several issues for companies to consider before Lamont gets to his feet on March 16. Corporations do not have the same range of opportunities to beat the Budget as individuals: but a checklist of possible boardroom actions can be compiled.

Accountants and lawyers say NI is a big preoccupation for companies - hardly surprising perhaps given that it is already such a nice little earner for the chancellor. Raising more income tax would be widely deemed as a political U-turn, which is why Lamont may find it more attractive to raise additional revenue through National Insurance. Controversially, he could take a leaf out of the Labour party's last election manifesto and raise or remove the £21,060 ceiling above which the employees' National Insurance contribution is not paid. But a more plausible option might be to lift the present 10.4 per cent rate which companies pay on most

Country managers used to be the barons, if not the kings, of most multinational companies. But now most of them are being cut down to the size of mere ambassadors.

As their companies strive to accelerate decision-making, to slash head office costs, and to achieve greater all-round global co-ordination and efficiency, most of their power - sometimes even over sales and distribution - is being transferred either to regional czars, or more often to the heads of worldwide product divisions.

As a result many country managers have either been pensioned off early, or are suffering severe demotion as they bow to the inevitable relegation of their role.

In a growing number of companies, such as ICI, Britain's largest chemicals combine, "country management" is being reduced to a part-time representative role, carried out by a senior divisional manager (see this page, Feb 11). But should the fate of country managers be so inevitable? Is it

# Beat the Budget with solid gold

Tim Dickson on hedging your bets against March 16

salaries. Present NI rules exempt staff bonuses paid in the form of marketable commodities rather than money from both employer and employee contributions. M&I, the financial services group, attracted considerable attention before the last election by making payments to some staff in gold bullion.

Diamonds can also be used, while factory workers at the Presbar group were recently reported to be receiving part of their remuneration in cocoa beans. A scheme involving bonus payments in unit trusts was ended in 1991.

Obviously, employees do not take physical delivery: in a typical scheme the commodities are credited to their name and sold for cash within a couple of days of being bought. Value Added Tax on gold can be avoided provided the purchase is routed through an offshore centre like Switzerland.

John Valentine, a tax partner with Grant Thornton, points out that employees also enjoy the ben-

efit of deferring income tax. He nevertheless cautions against setting up a scheme of less than £100,000. "The Revenue may choose to challenge individual cases, and unless every single document is word perfect they may fail. It could be a time consuming and expensive process."

Other accountants say some clients are reluctant to enter into arrangements which could upset their relations with the Inland Revenue.

Valentine emphasises that the scheme only works for bonuses, not for the employee's basic remuneration (where the company has a contractual obligation to pay).

National Insurance is not the sole pre-Budget tax topic for management in-trays.

Take Advance Corporation Tax, for instance. An intense lobbying campaign has been directed at the government over rules which disallow ACT from being credited against tax paid on overseas profits.

The chances of the chancellor succumbing to the pressure look slim - indeed he may even clamp down on some of the tax avoidance

schemes which have been put in place.

But as David Reid, tax partner at solicitors Clifford Chance points out: "If there is to be a change in the ACT rules there could be advantages for multinational companies to delay the receipt of dividend payments into the UK from their overseas subsidiaries until after the Budget."

Companies will also want to keep a close eye on any moves in the Budget to tax company cars on the basis of their market value. In the meantime, executives with their eye on a new model which costs, say, more than £19,250 - the current definition of an executive car - may want to wait and see how Lamont changes the current handling system. This way they may be able to buy a bigger car without the additional tax cost incurred at the moment.

Business proprietors who think personal tax rates are set to rise, meanwhile, may want to take advantage of the opportunity to "dividend strip" before the end of



Weighing up the benefits: bonuses paid in gold are exempt from NI contributions

the tax year.

The point here is that dividends, unlike salaries, are free from NI contributions and thanks to the offsetting effect of ACT can be extracted from a company at a tax rate of just 20 per cent. This would increase if the chancellor raised the top rate of personal tax - currently 40 per cent - though there would still be time to take action for this

year before April 5.

Tony Allen of Coopers and Lybrand warns companies to beware of exchange differences when disposing of overseas assets. There is some expectation that the government may in the forthcoming Budget remove the current anomaly which means businesses incur capital gains tax on a paper profit. But it would be unwise to count on it.

## Rise of the ambassador manager

even sensible?

Or should companies treat them in a less standardised way, adapting their role more carefully to the company's stage of organisational evolution, and to each country's different conditions?

There is nothing either inevitable or sensible about a blanket approach, according to the initial findings of a study being undertaken by John Quelch, a professor at the Harvard Business School.

Companies should think far more carefully about what kind of country manager they need in each national situation, says Quelch. They should also recognise that, even when it is sensible to transfer most power to global divisions, country managers can be motivated by developing new skills. These include encouraging the export and import of good ideas between subsidiaries.

Quelch is now extending his study to 200 country general managers. So far it has been based on interviews with 50 executives in 12 Asian, European and North American multinationals in services, consumer and industrial products.

The executives' responses range from demotivation to surprising expressions of secret content at a narrowing of their responsibilities - so long as they retain their titles, that is.

In a working paper called *The New Country Managers* which describes his initial conclusions, Quelch quotes one executive, presumably of the demotivated variety, saying lugubriously that his type of role will not actually disappear, since "governments still need me man to go after, to put in jail". Quelch's categorisation of country managers is in line with a suggestion in his paper that companies

are evolving through several stages towards a relatively standard "global" type of organisation.

This would be disputed by fellow academics: some Japanese and other companies are moving in the reverse direction, from centralised global to a much more complex and flexible structure which has become known as "transnational".

But Quelch's four-stage categorisation is useful all the same:

● When a company goes international, it may establish wholly-owned country subsidiaries in its larger, more promising markets, sometimes acquiring local distributors. The company managers needed for these young subsidiaries are "traders" who focus primarily on sales and distribution.

● To achieve local market penetration, the company delegates more functional responsibilities to country managers. They develop and

manufacture an ever broader line of locally adapted products. The company becomes a genuine "multinational" and country managers, evaluated on the profits they deliver, become "potentates".

● To achieve the benefits of greater integration of its activities on a "transnational" basis, the company reduces the country manager's decision-making authority over research and development, purchasing and manufacturing. It consolidates these functions in centres of excellence (which may be regional or global). Marketing decision are shifted to the regional level. The country manager remains involved, but has to be a team player, a "cabinet member".

● In fully "global" organisations, worldwide divisions (or "lines of business") dominate the organisation. The country manager is now an "ambassador".

Since most multinationals are at varying stages of development around the world, they need more than one type of country manager - a portfolio with different sets of skills, Quelch argues.

A European consumer goods company, for instance, might appoint "cabinet members" as country managers in an increasingly integrated Europe, but put "traders" into Asia, where markets are growing faster and national socio-economic differences are greater. Meanwhile the "potentates" who run the company's operations in Latin America, where tariff barriers still limit cross-border commerce, might still remain in place.

Country managers should become a mixed breed of high-fliers, in other words, not a cloned race of almost has-beens.

Christopher Lorenz

\*An edited version of the paper will be published in the next issue of the McKinsey Quarterly, available at the end of this month.

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FINANCIAL TIMES

### PEOPLE

#### Orderly succession at Shell

John Jennings (right), who has been with the Royal Dutch/Shell group for over 30 years, will take over the chairmanship of the British arm, Shell Transport and Trading, when Sir Peter Holmes retires at the end of June.

The Royal Dutch/Shell Group is the world's second biggest oil company and its management succession tends to be orderly and dictated by a retirement age of 60. Sir Peter, who has been chairman since 1985, was 60 last September and it had been expected that he would hand over the chair to the next most senior of the three British group managing directors.

Jennings, 55, has been a group managing director since July 1987 and has come up on the exploration side of the group. Having graduated in geology from Birmingham University in 1958, he was awarded



a Shell research studentship enabling him to obtain his PhD in geology from Edinburgh.

He spent his early career exploring for oil overseas. In 1979 he was appointed managing director of Shell UK exploration and production and in 1985 was made exploration and production co-ordinator for the Shell group based in The Hague.

Sir Peter Holmes, like his predecessor Sir Peter Baxendale, will remain on the board after he retires but his role as chairman of the joint committee of the service companies of the Royal Dutch/Shell Group will be taken by Cor Herkströter, president of Royal Dutch Petroleum.

Jennings will become vice chairman of the committee but given that he is of a similar age to Herkströter, the most senior position in the group is likely to continue to be dominated by the Dutch side. Traditionally, the post has rotated between a British and Dutch chairman. But the differences in ages has meant that the Dutch have tended to hold the job longer than their British colleagues. Sir Peter Holmes, for example, was close to retirement when he became chairman of that committee last June.

■ STOREHOUSE acted quickly yesterday to plug the gaps while it searches for a new chief executive after David Dworkin's decision to leave for Carter Hawley Hale in the US.

Graham Rider, group finance director, was appointed acting managing director of the B&S store chain in addition to his existing responsibilities. Ann Iverson, the former colleague whom Dworkin brought from the US to help him at B&S, and then promoted to chief executive at Motobecane, was appointed to the Storehouse board.

■ FENNER, the Hull-based power transmission, industrial conveyor belts and fluid power

Morgan Stanley International in London. Goodhill, 44, had been head of European equities for the past three years, and had worked for the firm since 1982.

A Morgan Stanley official says resignation came as "a surprise", adding that Goodhill planned to "enjoy some time with his family". Goodhill himself was not available for comment, having already departed from Morgan Stanley's Docklands headquarters by mid-afternoon in line with the firm's policy.

■ FENNER, the Hull-based power transmission, industrial conveyor belts and fluid power

#### Bowtell's fast-stream

Ann Bowtell has been appointed First Civil Service Commissioner, responsible for selection to the senior civil service and for the fast-stream entry programme. Bowtell, 54, is the first woman to be appointed to the post.

A graduate of Girton College, Cambridge, Bowtell was herself a fast-stream trainee, joining the National Assistance Board in 1960. Her career in the department of health and social security (which replaced the NAB) has been largely in policy, personnel and resource management. She is currently deputy secretary at the department of health, where she is the principal establishment

and finance officer. Bowtell is particularly well-qualified to help the civil service achieve its aim of attracting more women to its top ranks, and retaining them after they start families. A mother of four, she continued to work part-time while her children were young.

She replaces John Hoiroyd, who was recently appointed Prime Minister's appointments secretary, with responsibility for church appointments and some special academic jobs. Bowtell will be replaced at the health department by Joe Pilling, 47, the former director-general of the Prison Service. Pilling won respect for his

work at the prison service, and had been expected to continue in charge when it achieved executive agency status this year. However, the home secretary selected an outsider, Derek Lewis, former chief executive of Granada Group.



## Theatre Night after Night

Neil Bartlett is a playwright, translator, director and performer, and this sheer diversity makes him one of the more ubiquitous figures in British theatre. The National has presented his translations: Racine's *Berence* in 1990 and Marivaux's *The Game of Love and Chance* (current). Last year, the Lyric, Hammersmith, presented his adaptation of Ruth Rendell's *A Judgment in Stone*. He also co-directed the latter two: which, like several other shows involving him, were produced by Gloria - a production company set up in 1988 to present work by him and three other artists.

Much of Bartlett's work advances pro-gay sentiments, and all of it expresses a gay sensibility. His latest offering, *Night after Night*, is the most direct treatment of gayness that I have seen by him. Also the most autobiographical. A one-man show (with accompaniment by Nicolas Bloomfield), it begins with the premise that he, Bartlett, bears a close physical resemblance to his own father. And then he flips back to become his father in 1958, the year of his birth. His father-to-be is taking his mother-to-be to a musical. "The show is about to begin."

Bartlett then becomes the theatre manager, the coach-check man, and the barman: who are all - well, confirmed bachelors. So are most of the chorus-boys. Yes, 1950s musicals are wonderfully touching, but isn't it funny how they speak to gay people as directly as to straight? And isn't it ironic that a ritual as heterosexual as a 1950s musical should be framed by so many gay men (front of house, in the chorus, and so on)? And didn't Bartlett *per se* ever notice this then? But it is 1958, the year in which Bartlett *fits* will be born.

A reexamination of art and history and family biography is a standard and necessary part of gay liberation. But *Night after Night*'s use of self is thoroughly awkward. It wants to be (a) a *tour de force* in which Bartlett impresses us by being several different men; (b) a private argument (didn't you ever see any gayness around that straight illusion, Dad?) shared with us all; and (c) Bartlett's treatment of the theme of homosexual participation in heterosexual art. It wants its audience to cry: (e) "Bravo, star!" (f) "Us too, Neil!" and (g) "Alpha plus, Bartlett."

You need to be a larger artist than Bartlett to bring all this off. Bartlett can impersonate the gay front-of-house theatre staff with some malicious panache. As his own straight father, however, he is a cypher. *Night after Night* tickles its audience's fancy, but it reeks too of a tricky mixture of self-indulgence, what-about-me self-pity, and self-advertisement. Bartlett talks of the heterosexual world as if existed beyond the green baize door, and as if he inhabited the servants' ball downstairs. He imagines being part of it, and yet he cannot imagine its nervous system.

**Alastair Macaulay**

Royal Court, Theatre Upstairs, until February 13

An extraordinarily prolific outpouring of artistic talent is the theme of *From Bruegel to Rubens: The Antwerp School of Painting from 1550 to 1650*, at the Royal Museum of Fine Arts in Antwerp. Inevitably, we think of those generations in terms of the great foursome, Bruegel, Rubens, Van Dyck, and Jordaens. Yet the aim of this exhibition is to shed light on the other talents, their pupils, friends, and competitors.

With 150 paintings by no less than 79 Antwerp masters, it offers an ample *tour d'horizon* of an artistic centre which at that time enjoyed a reputation which can only be compared with the dominance of Paris in the 19th century. However, the show which should have been the perfect curtain-raiser to Antwerpen '93, the festival marking Antwerp's time as cultural capital of Europe, sells itself short.

Previously the exhibition was in Cologne where, by all reports, it looked a far better thing than it does in the down-staircase galleries of the Royal Museum of Fine Arts in Antwerp. Here, paintings are hung on a horrible system of steel braces. Flanders should really look to be greatest treasure. The time must surely be near for a major renovation of a gallery which houses one of the world's most evocative collections of paintings?

Time and cash were perhaps not sufficient to allow redecoration ahead of the Festival. But what about some elementary housekeeping? Grass sprouting from the steps, torn and dirty curtains in gallery windows, a blown light-bulb casting shadow on a picture - those are easy enough defects to put right. A narrow strip of carpet running around the edge of the galleries allows the wardens to sing out the moment anyone

steps forward. It also has the depressing effect of making visitors patrol it as if it was a cat-walk.

The paintings are hung in a way intended to show the sheer breadth of types of painting for which Antwerp's artists were famed. The true centre of gravity of the show is post-1650, by which time subjects which were novelties to artists 50 years earlier had reached a wonderful pitch of expertise.

The mid-18th century saw Antwerp at the apogee of her wealth and status, and then enter into the long decline after the Spanish closed the Scheldt. Yet this made no difference to Antwerp's fame as an exporter of paintings - and also of artists. It is impossible to avoid speaking about "factories" and "production lines" in an epoch in which dealers sent Antwerp middlemen orders for paintings by the hundred.

From Naples and Paris to Peru, demand was unquenchable for the wide skills of the Antwerp workshops. History painting, landscapes, battle scenes, scenes of peasant life, shipwrecks, still-lives, paintings to record art-collections; the selection of works, many from private collections, ought to convey the right message about the intense specialisation of artists in this period. Unfortunately, the organisers of the exhibition appear to have wanted only to commune

with fellow-specialists in Flemish art.

The result is an inexcusable shortage of information about anything lay visitors might want to know. Nothing is said about the career of individual artists, and even their dates do not appear on the labels. There is nothing about the political and social background. If only these things could be easily followed up in the catalogue, it would be different; however, the logic behind this heavy volume is unfathomable.

It is sad to have so many grumbles about the presentation of this rare *hors d'oeuvre* to Antwerpen '93. And yet, without question it is an achievement to have brought together so many paintings of singular beauty, rarity, and fascination.

Of course, there are many unfamiliar artists to discover. Take Pieter Van Mol, an obscure contemporary of Van Dyck who settled permanently to Paris. His "Descent from the Cross" from Rheims is a remarkable composition in which Christ's body, painted with painful realism, is held upright in the centre of the canvas by the holy mourners.

Theodor Van Thulden, an important member of Rubens's "factory", also moved for a while to Paris but later went back to Antwerp. His "Flanders, Brabant, and Hainaut Venerating the Virgin and

Child" of 1650, is a magnificently graceful exercise in political flattery. The provinces, represented as well-dressed ladies, render up their prayers. Gold coins tumble down, the benefits of the wise governance of Catholic Spain.

Every visitor will find paintings they particularly want to see - assuming they resist the pressure of the catwalk to pace along by, rather than looking with care. But the question needs always to be remembered, what are we looking at, a master or a team-effort? So often one skilled hand would add the animals to a landscape, another the flowers in a devotional painting. Hieronymus Francken painted the portrait of a lady at the virginal; his less-skilled nephew filled in the dancing company. As ever, argument rages over whether such a scene paints a moral. Is it a merry inn where Joachim Benckelaar's cooks are preparing a buglely carnivorous dinner. Or is it a brothel?

Among the loans from an impressive number of major collections one of the most familiar masterpieces is Van Dyck's "Portrait of Isabella Brant" from Washington. From the Hermitage come two wonderfully harmonious paintings by Rubens and Jordaens. The first is Rubens's scene of a group of peasants on the edge of a spinney, who languidly make love and listen to the



Jacob Jordaens' portrait of his family, with himself playing the lute

sound of a flute. The landscape is a sunny one, lit spectacularly by a double rainbow.

The Hermitage's second superb loan is Jordaens's earliest homage to his family. It was painted in 1615, the year he was admitted as a member of the painters' Guild of St

Luke, so perhaps that overworked phrase could be used, a *rite de passage*. The family group clusters almost oppressively close around the table. On the women's faces we read maternal love and pious resignation, for above their heads play three golden-haired

angels, the infants who had not lived. Jordaens himself cuts a debonaire figure, playing the lute. However, he is seated so close to the only other adult male, his father, that he is surely making a statement that the Jordaens family assets are safe in his talented hands.

## Ballet in Antwerp/Clement Crisp Giselle

Five years ago Belgium had three ballet companies. In Brussels, Maurice Béjart reigned with his Ballet du Vingtième Siècle as dance guru to Europe. French-speaking Wallonia had its own Ballet Royal, and Flanders an equally Royal Koninklijk Ballet. But Béjart went to Lausanne, and in 1988 Mark Morris arrived for a three-year stay in Brussels' Monnaie Opera. In 1990, the death of the Ballet de Wallonie's director brought the end of the company, and today only the Royal Ballet of Flanders remains to uphold the ideals of classical dancing. (In Brussels, Anna Teresa de Keersmaecker's free dance now occupies the Monnaie stage; elsewhere other Belgian modernists flourish - not least Wim van der Keybus).

Flanders' Royal Ballet is based in Antwerp. It was founded in 1959, and it has been directed for the past six years by Robert Denvers. Denvers has given the company a sure identity based upon 19th century traditionalism, modern full-length works, and shorter creations from Balanchine, Tudor et al.

The troupe's image is of a serious and disciplined ensemble of 35 dancers - Denvers is also a celebrated pedagogue and performer. During the past few years, in serious stagings of *La Sylphide*, *Don Quixote*, have been marked by a clear and well-mannered classic style. (The dancers, who come from many countries,

seem united by Denvers' teaching, and by his high technical expectations).

Last week-end saw the first performances of the company's new *Giselle* in Antwerp's Opera House. The staging, produced by Denvers and the Cuban ballerina, Menia Martinez, pleases by its clarity. There is little of that fuss of Victorian quibbling which is supposed to evoke "Romantic style", and is more like epidemic winsomeness. Nowhere are there those anxieties and caprices that tell of producers' imposing their "vision" upon the ballet, as in the risible *Giselle* at the Paris Opera with its witless Breton setting. The Flanders version lets the dance speak (the text is sound, and seems based upon a Kirov model), and is blessed in its simplicities. Roger Bernard's designs - practical, well-made cottages and graves set against pale back-cloths; pretty costumes - are efficient, and designed for touring, since the company travels extensively. The abiding impression is of a *Giselle* that is clearly placed within the great Russian traditions of the ballet. (My one caveat is that the lines of wills in Act 2 come between the lovers and the cross on Giselle's grave which must protect them from Myrtha).

The sense of tradition was clear in the interpretations of two young ballerinas whom I saw. Lorena Feijoo is 21 years old, Cuban, and a born Giselle. She is slender, with a gently



Lorena Feijoo: a born Giselle

commanding technique - balances hover; steps poised and bang upon a breath of air - and she brings a total concentration upon the drama. Apprentice Giselles tend to run amok in the mad-scene. Miss Feijoo played it with a control of effects that was never studied, but, like her dancing, seemed the expression of a naturally eloquent and elegant temperament. As the will Giselle her poses, the turn of her head, a floating delicacy in step, told of a role whose pathos (and whose prodigious demands) she already understood. It was a reading most touching, and most promising.

Her Albrecht was Chris Roelandt, strong and considerate as a partner, and proposing a sympathetic character whose deencies are seen in his good manners and exemplary atten-

tion to his ballerina. A second Giselle - of the five whom the Flanders Ballet are to present - was the Bulgarian Nadia Dimitrova. Here was a young artist whose training had, like Feijoo's, already placed her in the best traditions of the role. Her Giselle was lively in temperament as in step. Quick accents, quick feelings, told the story in the first act - perhaps slightly self-consciously so. As the will, Dimitrova compelled attention by the purity and generosity of her line, and by her evident desire to show phrases of movement as a kind of bel canto. Her Albrecht was the Cuban danseur Julio Arzarena, a vivid performer with a bright edge to his dancing.

The support from the company was alert, attractive, at both performances. The nocturnal dances of the second act

were led by two impressive Myrthas: Enrichetta Cavallotti and Lucinda Tallock-Garner who has a space-devouring jump. The peasant pas de deux, in the broadly flowing Bolshoi version, was brightly cut by Hiroko Sakakibara and Francois Pettit. And, how good and how rare to report, the Adam score was a vital component in the drama. It was played (in John Lanchbery's edition) with evident affection by the orchestra of the Flanders Opera under the young conductor Koen Kessels. Mr Kessels understood the music's shape, its dramatic purpose, its Romantic force: he gave a notable display of musicianship.

'Giselle' is sponsored by Kredietbank, GB and VTM Television and tours Belgium during February and March

## Opera/Max Loppert Don Giovanni

Two London music schools, the Royal College of Music and the Royal Academy, have been involved in a merger, which was set in place last September. The London Royal Schools' Vocal Faculty is the result: facilities from the vocal and operatic teaching departments of both bodies are now being shared, and jointly headed under the stewardship of Robert Tear. (Artistic Adviser) and James Lockhart (Director of Opera).

The most immediately visible product of the union will be the opera shows - *Don Giovanni* just opened at the RCM theatre. *The Turn of the Screw* at the RCM next month, others to follow - whose alternating casts and production forces draw on the newly shared resources. For instance, this new Mozart production is conducted by Mr Lockhart (based at the RCM) and produced by Graziella Sciutti, a much-loved Mozart, Rossini and Donizetti soprano now active at the RCM in a teaching capacity.

No-one in his or her right mind would seek to disgorge runes and portents from Monday's opening performance. It was, however, full of positive features, which can be taken to indicate the general strength of the London schools' just now: their ability to attract promising material from across national boundaries, and their luck in having both Mr Lockhart and Miss Sciutti involved in their pedagogical activities. The RAM Opera Orchestra produced impressively solid, vigor-

ous support throughout the evening.

The first cast boasts two singers of outstanding gifts - the Ottavio of Ya-Lin Zhang (a physically stiff but free-throated, Italianate tenor) and the Elvira of Susannah Claville (a fresh-voiced, mettlesome, strongly expressive soprano). Also on show are a Leyorella (Paul McNamara) and an Anna (Susan Strang) who note quite "finished" but rich in promise, and a strikingly young-looking Giovanni (James Lawrence) whose vocal facility and personality need only the natural benefits of greater experience.

All the singers seem to have benefited from Miss Sciutti's vibrant engagement with the text and her alertness to character detail. This opera's mesh of emotional complexity and plot intricacy is particularly difficult for young people to convey, yet there was little sense of faltering in weaving its dramatic and musical web.

One question-mark hangs over the production, though: the design style, murky, cumbersome and '80-ish, offers the students no chance to make contact with the more up-to-date modes and manners of opera-staging they will doubtless encounter on leaving college. It is devoutly to be hoped that this forward-looking new concept in operatic education will allow its students to look forward in every possible way.

Last performance tomorrow

## INTERNATIONAL ARTS GUIDE

An important exchange of exhibitions of antiquities takes place this month with the opening of the George Ortiz Collection of the St Petersburg Hermitage.

In return, a selection of objects from museums in the former Soviet Union can be seen at the Zurich Kunsthaus.

Ortiz, born in Paris into a wealthy Bullen tin-mining family and now resident in Geneva, started acquiring archaeological treasures more than 40 years ago.

His collection has been characterised as high quality art on a small scale: no painted vases or large-scale pieces of sculpture, but outstanding small bronzes, objects in precious metal, and heads and figurines in marble and stone.

The main body of the collection is Greek art from the Neolithic to the Byzantine, with examples also from Egypt and China.

The Hermitage show comprises about 250 of the best pieces. The exhibition opens next Wednesday and then runs till April 11, before moving to the Pushkin Museum in Moscow (May 6-June 27).

One of the earliest objects is the alabaster figure of a Sumerian bull-man which dates from the third millennium BC, a rare example of sculpture from this period.

Other remarkable pieces include a copper alloy bust of Amenemhat III, the great Pharaoh of the Twelfth Dynasty, and a Roman bronze of Ajax, the only three-dimensional representation of the Greek hero to have survived.

The most recent acquisition is a Greco-Gandharan marble statue of Prince Siddhartha which dates from the second century AD, portraying him with curling locks and luxuriant moustache.

The works in the Zurich exhibition - including many never previously shown in the West - have been chosen by Ortiz himself. The majority come from the area around the Black Sea. One of the best examples is a winged lion with human features, which dates from the eighth to sixth century BC.

Ortiz has also selected antiquities acquired by the Tsars or museums through private donation or confiscation (the basis of the Greek, Roman, Byzantine and Eastern collections of the Hermitage and Pushkin museums). Although the Pushkin's

curators judged some objects too fragile to lend, the basalt bust of Amenemhat III from about 2000 BC - perhaps the most important Egyptian work in Russia - is in the exhibition, for which Ortiz himself has underwritten most of the financial risk.

The Zurich show runs till May 2, and can also be seen in Japan at the Kyoto Museum from June 6 to July 4.

### EXHIBITIONS GUIDE

**AMSTERDAM**  
Ven Gogh Museum From Pissarro to Picasso: French colour etchings, including Mary Cassatt's series portraying mothers and children, Pissarro landscapes and two standing nudes by Picasso, printed in red and dating from 1906-7. Ends April 18. Daily.  
Rijksmuseum Art, Expertise and Trade: a behind-the-scenes view of the trend-setting early 20th century gallery of J H de Bois. Ends May 2. Also North.  
Nederlandsche Kunst 1500-1600. Ends March 7. Gao Cipei (1600-1734) and the Art of Chinese finger painting. Ends Feb 28. Closed Mon.

**ANTWERP**  
Musée Royal des Beaux-Arts From Bruegel to Rubens: the Golden Century of Flemish Painting 1550-1650. Ends March 3. Closed Mon.  
**BALTIMORE**  
Museum of Art French Fashion

Miniatures: an exhibition of doll-size miniatures which, due to the postwar shortage of fabrics, were used to present French fashions in Europe and America in the late 1940s. Ends April 25. Closed Mon.

**LAUSANNE**  
Fondation de l'Hermitage From David to Picasso: 200 paintings, drawings and sculptures from the rich collection of the Musée de Grenoble. Ends March 21. Closed Mon.

**LONDON**  
Accademia Italiana Riccardo Cinielli: large-scale pastel drawings on tissue paper executed during the past five years. The drawings in the exhibition illustrate the effects created by superimposing up to four layers of tissue paper, on each of which Cinielli has drawn in pastel. Ends March 14. Daily.

**Tate Gallery** Turner's Final Years: the sixth and concluding exhibition in a series examining decade by decade the watercolour output of the great British romantic painter. Ends May 17. Also Viewing.

**Masculinities:** the male body in art since the mid-19th century. Ends June 6. Daily.

**Royal Academy of Arts** The Great Age of British Watercolours 1750-1880. Ends April 11. Daily.

**British Museum** Howard Carter: behind Tutankhamun. Ends May 31. Daily.

**MADRID**  
Fundación Juan March Kasimir Malevich (1878-1935): 42 oil paintings by the Russian artist who invented Suprematism.

brings together vases, icons, architectural decoratums, armour and metal objects from 20 American and European museums. Ends April 25. Closed Mon.

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**MADRID**  
Fundación Juan March Kasimir Malevich (1878-1935): 42 oil paintings by the Russian artist who invented Suprematism.

Ende April 4. Daily.  
Centro de Arte Reina Sofía Joan Miro: centenary exhibition of 60 paintings and 50 drawings from the years 1920-80. Ends March 22. Closed Tues.

**NEW YORK**  
Metropolitan Museum of Art Christopher Dresser: an important album of drawings by the late 19th century British industrial designer, plus other notable groups including 1920s rug designs by Eileen Grey, fabric patterns by American painter Stuart Davis and watercolours for furniture by Swedish designer Erik Gunnar Asplund. Ends April 4. Also Ancient Near Eastern Treasures in the Louvre. Ends March 7. Closed Mon.

**Guggenheim Museum** Photography in Contemporary German Art from 1960 to the Present. Ends May 9. The main museum is closed on Thurs, the Solto aile on Tues.

**PARIS**  
Musée d'Art Moderne de la Ville de Paris Figures du Moderne: Expressionism in Germany 1905-14. Ends March 14. Closed Mon, late opening Wed (11 ave du Président Wilson).

**Louvre** French Painting and Graphic Arts of the 18th and 19th Centuries: the redevelopment of the former royal palace continues with works from Wettou to Corot displayed in the 39 newly-opened rooms flanking the Cour Carrée (2nd floor). Also Veronee's The Marriage at Cana. Ends March 29 (Salle des Fêtes).

**Franch** 17th Century drawings:

160 works which serve to display the vitality of French art under Louis XIV and his predecessors. Ends April 26. (Pavillon de l'Étoile). Closed Tues.

**Musée** Galerie Sella Egon Schiele: 100 works on paper, showing the torments and erotic obsessions of the precocious Viennese expressionist. Ends Feb 27. Closed Sun (12 rue Surcouf).

**ROME**  
Palazzina Venezia Rome under the Sign of the Wolf: the latest in a series of exhibitions which celebrate the fourth centenary of the death of the Pope who during his short reign (1585-90) did more than any other to turn Rome into the first modern city of Europe. Ends April 30. Closed Mon.

**VIENNA**  
Kunsthaus The World of the Meyer: 300 exhibits evoking the lost civilisation of the ancient central American people. Ends June 27. Daily.

**WASHINGTON**  
National Gallery of Art Contemporary Drawings and Prints from the Permanent Collection: 123 works by David Hockney, Jasper Johns and others. Ends March 14. Daily.

**Textile Museum** Saltillo Sarapes: 42 woven wearing blankets from north Mexico which date from the 18th and 19th centuries. Ends Aug 8. Daily.

**National Museum of American Art** Prints by Californian Artists: an exhibition comprising 40 prints by 20th century artists, including Robert Bechtle and Helen Hyde. Daily.



Sir James McKinnon, director-general of Ofgas, the UK gas industry regulator, says his relationship with British Gas is dominated by "creative tension". Most in the company would recognise the tension, and are unlikely to regret Sir James's decision to step down from his post in September, a year earlier than scheduled. But how creative has the UK's most combative regulator been during his six-year tenure?

The aggressive style of the 63-year-old lorry driver's son from Glasgow has left the industry and investors on the one hand, and consumers on the other, divided over this question.

Consumers have benefited from Sir James's tenure. His constant attacks on the cost of gas have helped bring a 20 per cent reduction in gas prices in real terms in the six years since privatisation. He has pushed British Gas to publish standards of service and commit itself to paying compensation if it fails to meet them. Ofgas has encouraged British Gas to deal more sympathetically with customers who cannot pay their bills. Partly as a result, the number of disconnections dropped from 60,000 in 1986 to 16,000 last year.

But Sir James's approach to his role has brought him into conflict with British Gas, which says he has damaged its business. Investors, too, are wary of Sir James's motives: "The City tends to see him as a demon with two horns and a pitchfork," said one shareholder.

Sir James's pricing formula limits price rises to 5 per cent above inflation, compared with a limit of 2 percentage points below inflation set by the government at the time of privatisation. The effect of the new formula will be apparent in two weeks, when British Gas announces its results for last year - the first year in which the new, tougher pricing formula was in place.

Gas industry observers say that the new pricing system will play a big part in reducing profits to between £850m and £900m, compared with £1.16bn in 1991. Analysts have already cut their estimates of dividend growth at the company to little above the expected rate of inflation from this year to 1997 - when the pricing formula is to be reviewed again.

Sir James argues that the fall in profits is more a

## Trials and tribulations

Sir James McKinnon claims his style of regulation is necessary, writes Deborah Hargreaves



Sir James McKinnon (left) and Cedric Brown: have been locked in a head-to-head struggle over British Gas

result of the effects of recession on demand and last year's relatively warm weather than of his pricing regime.

He believes that profit levels could be maintained, even under the new system, if British Gas improves its efficiency through cutting costs and raising productivity.

Investors are also concerned that Sir James's tough regulation of the company in the UK has forced it to expand overseas. As its UK profit base comes under pressure from regulators and increasing competition, British Gas is looking to diversify into oil and gas exploration abroad and in international gas distribution.

The worry is that this profit flow is riskier than the company's core UK business. "Inves-

tors are somewhat concerned about diversification into Global Gas [British Gas's overseas gas distribution arm]," said Mr Nick Antill, analyst at Hoare Govett, the UK stockbrokers.

But Sir James is not the only regulator to erode the company's core UK business. It is the Office of Fair Trading, for example, that is forcing British Gas to surrender 60 per cent of its industrial market to rival suppliers by 1995.

This market, which involves the supply of gas to businesses, is one of the company's biggest revenue sources.

Sir James's influence on the industrial sector of British Gas's business is restricted by law. This is because the government expected the deregulation of the gas market after privatisation would itself

encourage competition in the industry.

But when competition failed to develop - partly because of a shortage of gas supplies available to British Gas's rivals - it was left to Sir James to prompt the Monopolies and Mergers Commission and the Office of Fair Trading to seek ways of promoting competition. This resulted in both regulators imposing various measures on British Gas since privatisation, and leaving Sir James to decide whether they had been effective.

It is a system with which Sir James himself is not happy. He recently denounced the OFT's demand that British Gas give up most of its industrial market as "impossible".

It is one of the few views he shares with British Gas. "The problem is that there is no cohesion between regulators and, with them acting independently, they could totally screw up the whole financial future of the company," said Mr Cedric Brown, British Gas chief executive.

The two main demands made on the company - the reduction of prices and the surrender of a large part of the industrial market - were one of the principal reasons behind British Gas's decision to request a review of its business by the Monopolies and Mergers Commission last August.

The review, which is due to be published in July, should give British Gas some clear indications of its future course. Mr Brown is hoping it could prompt a radical rethink in the way the gas industry is regulated.

Even from within the consumer lobby, there is now some desire for change. Mr Ian Fowle, director of the Gas Consumers' Council, believes the ground has shifted and that while Sir James's combative approach has reaped "tremendous benefits", there should now be room for a more constructive dialogue between British Gas and Ofgas.

British Gas does understand the significance of regulation now and it is possible for Ofgas to work more closely with the company.

Sir James maintains that his style of regulation is necessary to control British Gas, and that a difficult relationship is to be expected between a regulator and a monopolist. But even he may welcome a respite. When announcing his decision to step down, he said: "It is a bit like banging your head against the wall; it's nice when you stop."

Joe Rogaly

## The way out for Major



If all else fails, trim your sails. Mr John Major's cabinet is guided by the thought expressed in that little couplet. It is what gets the prime minister through the night.

But how to trim? It is easy to commandeer taxpayers' money to pay for wasteful but politically popular hospitals, coal mines or army regiments. It is not so easy when what is at stake is a matter of principle, as with the bill to ratify the Maastricht treaty. Yet as I shall suggest in a moment, there is always something.

Consider. Parliament has been told that it must accept or reject the totality of what was agreed by the 12 European Community governments in December 1991. That includes the bit regarded by the prime minister as his personal triumph - the protocol on social policy. According to that celebrated excuse-note, 11 of the member states - but not Britain - are anxious to adopt the no doubt admirable but costly employment practices laid down in the 1989 "social charter", which gives various rights to employees and imposes numerous obligations on employers. An agreement on this social policy, applicable only to the 11 countries that want to implement it, is appended.

Labour says that it wants the terms of that agreement to apply in Britain, so it has put down an amendment that would write the protocol out. The Liberal Democrats concur. Both parties appear to imagine that what will follow if Labour's amendment is carried will be a brief recall of the 12 EC governments, upon which Mr Major will shrug his shoulders, say "that is what parliament wants" and sign a new

treaty that commits Britain to a Continental-style social policy. There is a certain inconsistency here. Under Mr John Smith's guidance Labour is distancing itself from the more expensive forms of social democracy practised in northern Europe. Labour's leader may one day find the social charter a shade too far to the left for the image that he is trying to project.

The Conservative Euro-sceptics have a different problem. They see the social charter as a characteristic manifestation of the kind of socialism that would be imposed on Britain by a European super-state. Yet they are suggesting that they will vote for the Labour amendment, on the ground that there is no danger of the prime minister

**John Major cannot afford to lose the vote on the social charter amendment, so he might consider making a promise**

reneging that treaty. The Conservative Euro-sceptics have been endorsed by Mr Douglas Hurd, who has intimated that if the ratification bill is not passed in its original form, social opt-out included, the treaty will be dead.

All of these players are bluffing. Labour and the Liberal Democrats will have trouble keeping their most enthusiastic pro-Europeans in line if it looks as if a vote for the social policy amendment will kill the bill. Mr Smith himself does not want to become known as the man who sank the treaty. The Tory Euro-sceptics in the Commons are ducking and weaving in order to keep their opponents - their fellow Conservatives - on the government benches - guessing. Mr Hurd cannot seriously contemplate

walking away from the Maastricht treaty.

In short you could say that what we have seen this week has been nothing more than a round of parliamentary games. When this vote on Labour's amendment comes, next month or in April, the number of Conservative rebels will be kept below the 11 needed to defeat the government if all opposition MPs turn up and vote the same way. Alternatively, there may be more rebels but the opposition ranks will not hold firm. There is nothing to worry about.

This is probably true, but nobody can be sure. A good trimmer always has a contingency plan, as Mr Major demonstrated on November 4. That was the night on which he survived by three votes.

Three votes, bought by a promise to put off the third reading of the Maastricht bill until after the Danish referendum. Better a postponed ratification than no ratification at all. The foreign secretary explained afterwards, blushing slightly, what Mr Hurd meant was, better a positive vote than no European strategy, no economic strategy, no prime minister and no Conservative government.

The same equation will apply if there is a similarly close final vote on the social charter amendment. The prime minister cannot afford to lose. If he did suffer such a calamity, he would become Mr John Nothing. His talk of placing Britain at the heart of Europe would sound empty. He would be adrift on the economy, adrift on sterling, adrift on Europe, adrift before the electorate.

It is here that my suggestion comes in. The Euro-sceptics would trade their loyalty for a referendum. It is true that Mr Major cannot decently give them the kind of immediate popular veto over ratification that they are asking for. To do so he would have to eat more words than he has been accustomed to consuming at a single sitting. He might choke. So no referendum now.

A referendum later, much later, might be easier to swallow. Mr Major could say that the contents of the treaty are too complicated to be expressed as a single question, and that anyhow no serious constitutional issue arises from accepting the treaty as it stands. He would be right. The political and management settlements do not constitute a step towards a European super-state.

The move to economic union is, however, another matter. If Britain does exchange sterling for a single European currency, managed by a single central bank, it will have handed important responsibilities to an outside authority: opt in or out of such an arrangement. There is a case for a referendum on that. The vote need not come much before 1996 at the earliest and, the sceptical side of Mr Major may tell himself, it may not happen at all, at least not in the present century. The prime minister would have to say that he could not bind future parliaments, but that his government would recommend a popular vote if the question was whether Britain should enter a single-currency union.

If the proposition was put to him this morning, he would reject it. His natural hope must be that there will never again be as close a vote on a European matter as there was on November 4. But suppose there is, and suppose that the clock stands at a few minutes to midnight?

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Fallacy of conditions for Emu

From Mr Alan Shipman.

Sir, "Frequent reference" is made to "Maastricht treaty limits" of 3 per cent of gross domestic product for budget deficits, and 60 per cent of GDP for public debt - which, together with conditions for inflation and interest-rate convergence and exchange-rate stability, are supposed to precede any early move to European monetary union.

Although agreed at Maastricht in 1992, these conditions are not written into the treaty. Article 104c refers to "reference values" for government deficits and debts. The protocol on convergence criteria sets relative target ranges for inflation and long-term interest rates, but leaves it up to the council to define "excessive deficits". This definition need not be finalised until January 1 1994.

With all but two ERM countries currently breaching the limits, some for good reasons, an opportunity remains to revise them upwards. The treaty is being accused of enshrining rigidities it does not contain.

Alan Shipman,  
75a Harrow Road,  
Barnet Green,  
London NW10 5JX

### US punitive damages legally complex, but fair in concept

From Mr T G Nelson.

Sir, The US system of punitive damages is a complex legal maze and is further convoluted by differences which exist throughout the 50 states. However, the fundamental concept is simple and fair.

The system provides a straightforward procedure wherein an inanimate, but irresponsible, corporation's behaviour can be addressed by punishing it to a degree commensurate with its responsibility and proportional to the sufferings produced. Hopefully, such punishment will discourage the reoccurrence of such behaviour.

In addition to the points Robert Rice made in his article, "The high cost of damaged goods" (February 9), he should also point out other important issues of US product safety and liability law. One, warranty

and strict liability, are quite distinct from negligence in that corporate behaviour becomes the key question of negligence. Second, throughout the US, punitive damages are on average four to eight times compensatory damages and there are in fact very few large punitive damage settlements and very few where this ratio becomes skewed. Also, punitive damages are not insurable.

Third, many unresolvable punitive damage awards by juries have been immediately reduced by presiding judges or later on appeal.

Perhaps most important is the cultural differences reflected in our laws. One example is the concept of foreseeability (although unintended) use of a product. If you manufacture screwdrivers you should ensure their safe use and function as pry bars. If you

don't, you can be held liable for injury for such a foreseeable use.

However, with equal importance to the issues of product liability, negligence, and other legal nuances, European managers contemplating or now doing business in the US should also be aware that many new laws have been enacted specifically to address corporate and managerial behaviour concerning the environment and employee safety. Specific penalties for endangering and injuring employees have resulted in incarceration and substantial fines to corporate managers and officers.

Yes, it is a dangerous world out there. T G Nelson,  
vice president,  
Racine Federated Inc,  
2900 South Street,  
Racine WI 53404, US

### Right way to achieve settlement on Cyprus

From Mr Otil Tezeler.

Sir, Your editorial, "Cyprus choice" (February 4) contains in itself a train of thought which is not conducive to a political settlement on the island.

The aim should be to help both sides to come to terms

with each other's vital concerns and this should be achieved through freely conducted face-to-face negotiations. The ensuring settlement must be acceptable to both sides.

The settlement should not aim, as is suggested by your

editor, at cornering one side or the other.

Otil Tezeler,  
president,  
Turkish Journalists Association in London,  
First Floor, Suite 5-6,  
330 Regent Street,  
London W1R 5AB

### Daf: effectiveness of broad view and consensus from bankruptcy

From Mr Laurens van den Muyzenberg.

Sir, Throwing good money after bad by supporting lame ducks looks like a bad policy. Or as your leader "Dutch courage" (February 9), states, supporting "commercial misjudgments on the scale of those at Philips plainly takes a broad view of economic utility". Somewhat surprisingly the Dutch industry has fared better than that of the UK, starting from a much weaker base. Could that be because other factors compensate for the lame duck support policy? Or perhaps the UK government

saves money by not supporting lame ducks but unfortunately does not spend the savings on strong ducks. Of course, it is hard to predict what will be a permanent lame duck. Almost every enterprise at some point appeared a lame duck. When employment is in decline, a broad view of economic utility may be highly effective.

Laurens van den Muyzenberg,  
management consultant,  
11 Charles Street,  
London W1X 7BB

From Mr Vic Heylen.

Sir, After three years of heavy losses and three agonising weeks for Daf employees, Daf management called in the receivers and asked for protection against its creditors.

It took the receivers two days to arrive at the conclusion that Daf as a truck maker has a viable future. But only under the form of a new, leaner company, concentrating on its core business: the design, development and production of trucks.

The Dutch minister of economics was so impressed by the receiver's findings that he not only agreed, but promised to support the new venture financially. So why during

three years of declining sales and losses did Daf's own management fail to come up with a plan for restructuring, similar to the one which the receiver managed to put together in two days?

The answer is simple. Daf management would never have been able to reach a similar consensus, either with the unions or the government, without the real threat of imminent bankruptcy was hanging over its head.

Vic Heylen,  
Analyse Auto bvba,  
Antwerp,  
Belgium

### No shortage of government support for projects in Leeds

From Baroness Denton of Wakefield.

Sir, As minister with special responsibility for Leeds and Bradford, I was very pleased to see your special feature on Leeds on January 28. However, Stewart Dalby's article leaves the impression that the city is not getting support from central government.

Nothing could be further from the truth. Recently, Tony Baldry, housing minister, announced government support for one of the largest ever

housing estate action packages - worth £63m. The housing improvement plan will link in with training and crime prevention measures.

The government is also channeling resources to housing associations in the city at an annual rate of some £20m as well as providing the council with spending allocations of some £25m on its own stock.

As your other articles make clear, the government has so far invested some £30m in the Leeds Development Corpora-

tion, which has levered in three times that amount in private sector support and has generated thousands of jobs. The government has also pledged £20m to help develop the new museum for the Royal Armouries in Leeds.

Following the Autumn Statement, we announced a £20m package of road and transport measures, on top of resources for the Leeds/Bradford rail electrification.

A major boost has been given to Leeds hospitals with

the Department of Health approving expenditure of £11m at Chapel Allerton and £70m for phase 1 of the redevelopment of the Leeds General Infirmary.

The list goes on, but there are limits on your space. It all amounts to very substantial help from the government.

Baroness Denton,  
Department of Trade and Industry,  
Ashdown House,  
123 Victoria Street,  
London SW1E 6RB

### Where else in the City would you expect to find so many green shoots? At Plantation House, in

the depths of a property slump, over 40 companies of varying sizes have leased in excess of 150,000 square feet of office space in the last eighteen months. London's best known City office address, Plantation House is just one of the British Landmarks created in recent years. Yet another measure of continuing success in meeting tenants' needs.



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## FINANCIAL TIMES

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Friday February 12 1993

## How to raise UK taxation

NO BRITISH government has the credibility to pile up liabilities at the rate of some 10 per cent of gross domestic product for very long. This is the main reason why the chancellor has to act on the structural fiscal deficit both decisively and soon. The question facing him can only be how best to start closing the gap.

The amount by which the structural budget needs to be improved over the next few years is some £15bn-£20bn (24-3 per cent of GDP). Not actively coincidentally, £20bn is also roughly the amount by which the government's new "control total" - the non-cyclical element in public spending - was allowed to rise, in 1991-92 prices, between 1990-91 and 1993-94. Almost all of the adjustment will have to come from taxation rather than lower public spending. The review of public spending announced by Mr Michael Portillo this week may well prove important, but only in the longer term.

Ideally, the chancellor would announce a substantial proportion of the £20bn adjustment in March, but postpone implementation to January, after the second Budget of the year, or 1994-95. An adjustment of £12bn (2 per cent of GDP) would be a useful start.

How might such sums be raised? The main instruments would have to be income tax, value added tax and national insurance, which now account for 25, 17 and 17 per cent of total revenue, respectively.

Increasing the basic rate of income tax to 30p would raise £3.3bn in a full year. Increasing the higher rate to 50p would raise £3.3bn. Either would also create hysteria on Mr Lamont's backbenches. This is a pity, since nothing could better demonstrate the absurdity of wanting both higher public spending and lower taxation. Eliminating mortgage interest relief on housing - for which there might never, given current low interest rates, be a better opportunity - could raise £4bn-£4.5bn.

There are more covert, though

longer-term, ways of raising revenue from income tax, notes the Institute for Fiscal Studies, is non-indexation of the basic rate limit, which would push more taxpayers into the 40p band. This could raise an additional £1.7bn in 1992-93 prices by 1998-97. Also progressive would be restricting all allowances to the basic rate, which would raise £1.3bn in one year. A more regressive move would be to freeze all allowances, which would raise £1bn.

£10.7bn could, says the IFS, be raised by imposing standard-rate VAT of 17.5 per cent on expenditures that are now zero-rated. A uniform VAT would be economically more efficient than the present diversity. Announcement of future increases in VAT would bring spending forward as well, though this effect would be modest, since most zero-rated items are perishable. But increasing VAT on this scale would raise prices by 3.7 per cent. It would be politically explosive as well and require compensation for those on low incomes.

National insurance contributions are little more than a regressive income tax. If Mr Portillo's review does, as it should, obliterate the contributory principle, it might become possible to merge national insurance into income tax. In the meantime, substantial sums - up to £2.4bn - could be raised by eliminating the present anomalous upper earnings limit on national insurance contributions.

This is, unfortunately, no time for fine-tuning the fiscal system. It is not, given the amount of money that must be raised, even one for imaginative fiscal reform. It is a time for plucking the geese as efficiently as possible. The government will have to announce its intention to raise large sums by a mixture of higher taxes on spending and higher taxes on income. It will not be much fun. But it has to be done.

This is the third in a series of leaders on the March Budget

## Trading east

THE FIRST annual economic review of the European Bank for Reconstruction and Development provides a chilling perspective for western Europe's pessimists. While economic conditions are difficult in the European Community, they are many times harsher for its eastern neighbours. While strained economic relations are making trading conditions difficult for members of the European exchange rate mechanism, the almost complete breakdown of monetary relations to the east has meant an accelerating collapse in trade and output in the republics of the former Soviet Union.

All is not completely bleak. The first casualties of the demise of the former Soviet Union were the countries of eastern Europe. Heavily dependent on Soviet trade, they were devastated by the shift to hard currency settlement of trade with the then Soviet Union in January 1991 and the 63 per cent fall in Soviet imports that followed. But Poland, after three years of falling output, is on the verge of economic growth while the Czech Republic and Hungary have also shifted successfully to current account convertibility, and re-oriented their economies towards western markets.

Sadly, the main obstacle to export-led growth in eastern Europe is now western Europe's

unwillingness to accept free trade. But even if the EC, in a fit of uncharacteristic enlightenment, were to open its markets to eastern products, the plight of the republics of the former Soviet Union would remain dire. Heavily dependent on each other for the large majority of trade in oil, raw materials and industrial components, they have little chance of surviving independently.

Rebuilding close economic and trade ties between the republics is a pre-condition for the success of economic reform. But the EBRD is right to argue that the western pressure to hold the rouble some together was misguided. The inflationary and fiscal tensions produced by the effort to maintain it are largely responsible for the deterioration in monetary relations between the republics, the escalation to bilateral trade agreements and crude barter arrangements, and the collapse in trade and output.

The former Soviet republics should, instead, be building a multilateral clearing system, with western support, in order to finance trade and allow Russia to raise oil prices to world levels, without provoking a balance of payments crisis. A common currency is not needed for a revival in inter-republican trade. At present, it is having the opposite effect.

## GM's signal

FOR ONCE Corporate America can feel grateful to the Financial Accounting Standards Board. By requiring companies to account more prudently for healthcare costs, it has obliged them to send a powerful signal to Washington just when Democratic politicians are itching to have companies provide new mandated social service benefits. No doubt General Motors had good financial reasons for writing off \$21bn a stroke, instead of spreading the cost over 20 years, as the FASB also permits. But the announcement of such a huge write-off, coming alongside similar, if smaller write-offs, at Ford and other corporate giants, is a timely reminder that healthcare insurance imposes a substantial employment tax on US companies.

Healthcare costs in the US are about 50 per cent higher than the international norm at 12 per cent of GDP. The system relies heavily on employers to provide health insurance. The result of this explosive combination can be seen in the transformation of the motor industry's cost structure: Ford now spends as much on medical care as on steel for its vehicles. The financial burden falls heavily on mature industries, since they have a larger population of retired workers to support. Meanwhile

many employees of small businesses, which cannot afford large bills for healthcare, go uncovered.

Against that background it is hardly surprising that big American industry has become an impressive exporter of American jobs. In an increasingly global labour market, excessive healthcare costs are a competitive disadvantage. And small business, the chief engine of job-creation in the US over the past decade, worries about the potential cost of any future move to compel all companies to provide healthcare insurance. A radical break in the link between healthcare and employment is thus a challenging priority for the Clinton administration.

The problem for big US companies is not unique. High social costs in the German motor industry are causing jobs to disappear eastwards. Even in Japan, where on Tuesday the government formally asked industry not to shed labour, the lifetime employment system is imposing a pressing cost burden in the worst recession since the first oil shock. But since the first oil shock, Toyota's profits, unlike GM, declining profits, unlike GM, which was cheered at the prospect of reducing its losses. Ultimately, the quality of the cars is vastly more important than the relative burden of social costs.

For the first time in 20 years, diplomats in Geneva and Vienna have no new arms control treaty on their agenda.

Delegates stay on, working to tidy up existing pacts and put them into practice, carrying on discussions on a set of disarmament topics - but no longer with any mandate to negotiate treaties.

That phase is over. There has never been a period for arms control such as the one accompanying the end of the cold war. The old east-west adversaries are now concentrating on the challenge of carrying it all out and trying to mend the holes in the arms control web which could lead to new threats, including the threat of nuclear missiles, from developing countries.

Last month's convention outlawing chemical weapons - an ambition of the international community since the end of the last century - was the last of an extraordinary series. In just over five years, three treaties between the nuclear superpowers and four wide-ranging international agreements have been concluded. Five of these pacts involve actually destroying weapons and monitoring their destruction.

The first to break this new ground, the US-Soviet Intermediate Nuclear Forces treaty, obliged both countries to destroy all their medium-range ground-to-ground missiles. Within a month of finishing the job in 1991, they signed the first Strategic Arms Reduction Treaty (Start), the culmination of a long, interrupted negotiating process. In January this year, with that treaty not yet in force, they overtook it with the more radical Start 2, aiming at a two-thirds reduction in their long-range nuclear arsenals.

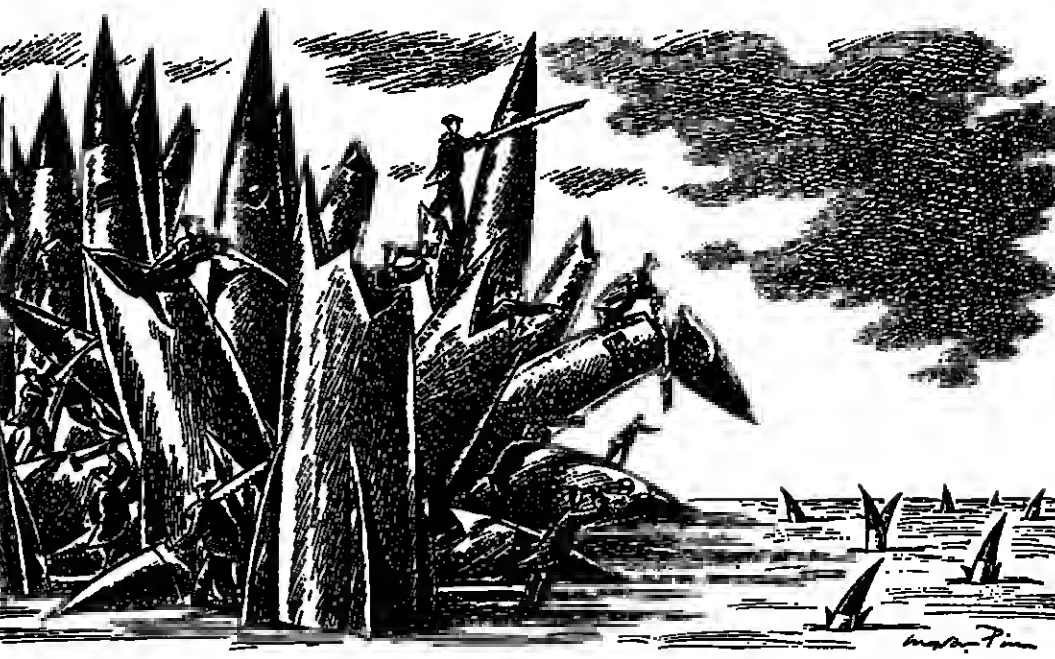
Wrecking of more mundane weapons, such as tanks, began last year under the Conventional Armed Forces in Europe (CFE) treaty, which Nato and the Warsaw Pact completed in 1990. Verification clauses allow these countries and successor states to pry into one another's military affairs on a scale beyond the dreams of any cold-war spy. The Open Skies treaty signed last year means they can also carry out surveillance flights over each other's territory. These accords were followed by agreement on the missing element in the CFE deal, manpower ceilings, a subject that arms control negotiators had often despaired of resolving.

All these negotiations began when the main concern was lowering east-west tensions. Political upheavals in eastern Europe assisted the process, but also robbed the agreements of much of their impact. The ceilings set in CFE are now largely artificial. For their own budgetary reasons most participants on both sides are making deeper cuts.

No new categories of weapons have been identified for extending

The next big challenge for arms control is to stop the proliferation of nuclear weapons, writes David White

## A disarming achievement



the process. The idea of bringing general-purpose naval forces into the arms control net has always been resisted by Nato - on the grounds that the western alliance relies ultimately on Atlantic sea-lanes - and Moscow appears to have stopped pressing its case.

Since it is no longer possible to talk of an east-west balance, the framework which served for drawing up the CFE treaty is no longer available. There was much talk of a CFE 2, but the process stopped at the manpower agreement known in the jargon as CFE 1a. The CFE treaty was the first between the members of Nato and the Warsaw Pact CFE 1a was the last.

Reluctance to move further along the path of negotiated disarmament is also partly a reflection of the amount of work needed to implement existing agreements and the serious question of how countries such as Russia and Ukraine can cope. Surplus armoured vehicles, artillery weapons and aircraft covered by the terms of CFE have to be destroyed in the next three years. Nuclear cuts are spread over 10 years. The US is anxious to speed them up but Russia cannot do it without help.

Many arms control experts favour further nuclear cuts. But US officials have indicated that any follow-up would be some years off. At the height of the Start talks, chief negotiators were meeting every day, alternately at the US and Soviet missions in Geneva. Later they flew in on intermittent visits. Now the US delegation discussing nuclear and space issues no longer has an ambassador.

Under the umbrella of the 39-

**Last month's convention outlawing chemical weapons was the last of an extraordinary series**

nation UN Conference on Disarmament in Geneva, which produced the hard-won chemical pact, committees continue to discuss subjects such as radiological weapons, of which none are known to exist, and a permanent ban on nuclear tests, for which the US, Britain and France are not yet ready. One panel is charged with a "comprehensive programme of disarmament", but

that committee is dormant.

In Vienna, consultative groups work on implementation of the CFE and Open Skies accords. In the same room in the Hofburg palace where negotiators spent 15 years up to 1988 failing to agree on mutual force reductions in central Europe, the 53 countries now belonging to the Conference on Security and Co-operation in Europe attend a Forum on Security Co-operation, devoted to confidence-building measures.

But the priority for western governments has shifted. The main focus now is on stemming the proliferation of nuclear and other weapons - a worry that has risen with the disintegration of the Soviet Union which, it is feared, could either spawn new nuclear powers or enable other countries to obtain weapons, materials or the know-how to produce them.

The Chemical Weapons Convention, due to come into force in 1995, will complete a series of treaties which already cover nuclear and biological weapons programmes. But some countries fall outside these agreements; most Arab governments said they would not sign the chemical convention as long as

Israel got away with holding nuclear weapons. There is also concern about the scope for cheating within treaties, as Iraq, a signatory of the nuclear Non-Proliferation Treaty, did on a grandiose scale before the Gulf war.

The crucial event looming is the NPT review in 1995, when the treaty's 25-year span runs out. The review conference has to decide whether to renew it, for how long, and whether to amend it. A preparatory committee starting work in Geneva will focus on ways of tightening inspections to prevent illegal programmes such as Iraq's.

Efforts are also under way to find acceptable ways of monitoring the 1972 Biological Weapons Convention. British arms control officials hope that "managed access" procedures worked out for the chemical convention can serve as a model for the other two treaties.

Measures to curb proliferation of missiles were recently extended to cover weapons capable of carrying chemical as well as nuclear warheads. Since an informal Missile Technology Control Regime was set up in 1977, the number of industrial nations participating has grown from seven to 22, and several others, including Russia, have promised to follow its guidelines.

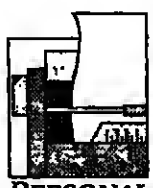
However, none of these regimes is watertight. The best that is hoped for is to slow down programmes by would-be proliferators and make them more expensive and more embarrassing.

Plans for sharing information about arms sales are seen as helping this process. "Transparency in armaments" has become a new buzzword. The first returns are due to be made this spring for a UN sales register, initially proposed by Mr John Major, the UK prime minister. But British officials make clear that curbing sales is not part of the aim.

After the 1991 Gulf war, talks were begun between the US, Britain, France, Russia and China on controlling supplies to the Middle East, or at least keeping a watch on them. But China pulled out after the US announced plans last September to sell F-16 fighters to Taiwan. It is unclear where, if anywhere, the talks will lead. Meanwhile the contracts flow in - ranging from the delivery of a Russian submarine to Iran to the recent £4bn-£5bn UK-Saudi deal including Tornados bombers.

Defence cuts at home mean that suppliers - and for that matter government armament programmes - rely increasingly on exports, and there is no sign that either western or former Warsaw Pact countries are prepared to deprive their arms manufacturers of this part of their livelihood.

## Temptation that must be resisted



PERSONAL VIEW

Imagine that, in September 1992, sterling had been realigned within the exchange rate mechanism instead of floating out. Suppose that it had been pegged at about its present level of DM2.37 with either 6 per cent or even 2.25 per cent bands. Then one might conclude that there would have been little difference between the 2.37 peg and today's 2.37 float.

But this is not correct. If Britain were in the ERM, and the peg were credible, interest rates would have to exceed the 8.5 per cent of Germany - say, around 8 or 10 per cent or even higher if the market suspected further devaluation, compared with 6 per cent today. As for the French franc, the Dutch guilder and other ERM currencies, their interest rates remain dominated by Germany - as indeed was the UK's before September last. Britain would simply rejoin the club.

Interest rates of more than 9 per cent would prolong and deepen Britain's recession. The growth of all measures of the money supply would suffer a relapse. Indeed, it is likely that the money supply would actually fall. There would then be a serious risk of a widespread financial collapse. While it is painful but possible to work out the large overhang of debt in corporate balance sheets and household portfolios with interest rates below 6 per cent or so, rates above 10 per cent pose monumental problems. A domino-like collapse cannot be ruled out.

I suspect that the government knows and appreciates the disaster that would follow re-entry today. Indeed, the prime minister, Mr John Major, has ruled out early re-entry. But suppose that the hopes of the market are realised and that German interest rates are substantially reduced in the months ahead. Then would Mr Major be tempted in?

It all depends. But it is clear that, if and as the Maastricht bus rolls on, Mr Major will be under considerable pressure to rejoin the ERM.

The negotiations for monetary union and the European (Monetary Institute) Central Bank will commence shortly after the ratification of Maastricht. Since the ERM is the only road to convergence and monetary union, it follows that the really serious negotiations can take place only among those who are in the

**I suspect the government knows and appreciates the disaster that would follow re-entry today**

core of the ERM and, perhaps, are within striking distance of achieving the conditions of monetary and fiscal "convergence" required for acceptance into the union.

Ardent European that he is, Mr Major, egged on as always by those inveterate "joiners" in the Foreign and Commonwealth Office, will have a great incentive to participate in the ERM and be admitted to this

exclusive club.

Of course, no great harm will be done to Britain if German interest rates fall to, say, 4 per cent at the end of 1993 and stay there. Then what has long been a persistent and large deviation between the interest rates required by the ERM and those needed for Britain's domestic economy will at last be small beer. But is it plausible? Will such harmony persist? More to the point, should Mr Major mortgage Britain's future on such a conjecture?

In my judgment, Bundesbank interest rates are unlikely to fall to these levels in the course of 1993. The persistence of inflationary pressures in Germany will keep rates high and they are unlikely to be less than 6 per cent by December 1993. The question then arises: will Mr Major be so pressurised by the need to be at the top ERM table that he will nevertheless risk aborting Britain's recovery?

One hopes not, but it would be foolish to believe that political priorities will not prevail. The best one could hope is that, by cutting inter-

est rates, Mr Major will drive sterling down to such a level - say, DM2.00-DM2.20 - that, on entry to the ERM at that prevailing rate of exchange, the depressing imposition of high German interest rates will be largely offset by the boost to the economy of such a low exchange rate.

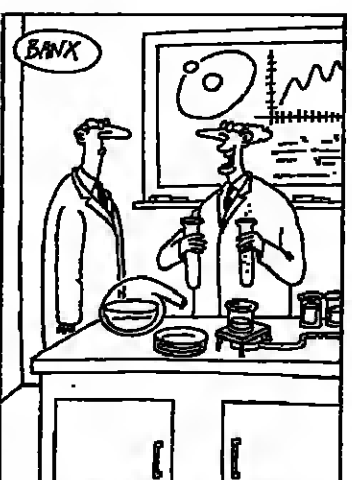
I would not, however, suggest that this is a likely stance for the government. The French and others would complain bitterly about "competitive devaluation" and the FCO, as well as the Treasury, would soon call a retreat.

I conclude that, to secure his seat at the top ERM table, Mr Major is likely to tempt re-entry into the ERM during the next year. One hopes for a less disastrous run than that which we endured in 1987-89, but it would be foolish to expect it.

Alan Walters

The author is vice-chairman of AIG Trading Corporation

## OBSERVER



I've discovered an antidote to apple juice

But a better clue to the distant past was given by BWD chief executive Christopher Broadbent when he let slip that the sacking was prompted by "personnel changes" at Laing. Apparently he didn't hear of them until a year after they'd been made.

## Bulb push

Don't panic if you find your children staring fixedly at the ceiling. Likely as not they are carrying out a national light bulb audit on behalf of the government's energy efficiency office. It's all part of a campaign, given

a big push by BBC's Blue Peter TV programme yesterday, to save the planet from global warming by persuading the population to install energy-saving compact fluorescent lights (CFLs). The new bulbs' attraction is that they use only a third of the energy of the conventional product and last eight times as long. The snag is they cost 20 times as much.

Hence Britain's Lighting Industry Federation has scored an enviable marketing coup by persuading the BBC to boost its new product. It even managed to get the prime minister and opposition leader to agree about something on camera - that the bulb is a good idea.

## Hard nut

Having helped Bill Clinton to beat George Bush, Stan Greenberg wants to do the same for Nelson Mandela and the African National Congress. The new US president's campaign adviser has offered to work for the ANC ahead of South Africa's first multiracial elections, expected next year.

Greenberg has a particular interest in the country; he was a visiting lecturer at Witwatersrand University, Johannesburg, for a year in the 1970s.

But ANC leaders, who've yet to decide on his offer, may still think his experience falls short of the task. After all, if the ANC is to win, it needs to crack problems far tougher than were Clinton's.

The first is getting people to register as voters; millions are illiterate with no experience of elections and little of democracy at all. A second is teaching them how to vote under the complicated proportional representation system. The knotiest is preventing violence from harming the party's chances.

## Shielded

Now that the Queen has finally agreed to put her tax affairs in order, perhaps the Inland Revenue should sort out its relationship with Rouge Dragon Pursuivant, Arundel Herald Extraordinary, Clarenceux King of Arms and all the other hangers on at the College of Arms.

Back in 1549, King Edward VI let them off paying tax and although they do now give the tax collector a "free gift", equivalent to their tax payments, it is not very tidy. What happens, for example, if there is a dispute?

## Tell-tale

Don't believe anyone who says Switzerland's great hero William Tell is just a myth. A mole in Geneva confirms that the secret police are still keeping a dossier on him....

And having now completed, with readers' help, the promised week of Swiss jokes, Observer feels almost up to the supreme challenge - a day of Swedish jokes.



## Delors attacks 'wildcat' currency devaluations as eroding ERM

By Lionel Barber in Brussels

MR Jacques Delors, European Commission president, yesterday launched an attack on "wildcat" devaluations which were undermining confidence in the European exchange rate mechanism.

Without naming the UK, Mr Delors said he believed a system of relatively fixed exchange rates - like the ERM - offered greater advantages than floating exchange rates. Currencies which left the discipline of the ERM and floated freely raised "serious questions" about the future of the European Monetary System.

At a news conference in Brussels, Mr Delors stressed that there was nothing wrong with

realignments within the ERM if there were fundamental economic divergences between members. But it was important that adjustments were carried out within the ERM in the presence of EC finance ministers, rather than "a wildcat act done at the drop of a hat".

The Commission president's comments underline lingering resentment in Brussels over Britain's unilateral withdrawal of sterling from the ERM during last September's currency crisis, and concern over the unsettling effect of a floating pound on other currencies in the ERM.

However, Mr Delors declined to join charges made in Bonn and Paris that UK financial institu-

tions were engaged in a plot to undermine the ERM and prevent the creation of a single European currency to rival the dollar.

"I have no information, but that does not mean to say others have no information. I cannot confirm or deny," he said.

Chancellor Helmut Kohl of Germany last week accused unnamed forces of seeking to "torpedo" the EC's drive for monetary union by the end of the century by speculating against individual currencies.

And Mr Raymond Barre, former French finance minister, said certain people in economic and financial circles were determined to prevent the creation of European economic and monetary union and "blow up" the EMS.

Mr Delors said that he had studied the recent turbulence in currency markets. He believed the ERM needed to be strengthened, and the second stage of EMU leading to fixed exchange rates for currencies meeting strict economic convergence criteria should be prepared very carefully.

The Commission president again ruled out the option of a small group of strong currencies led by France and Germany moving on a "fast-track" to EMU outside the Maastricht treaty.

Tietmeyer on parties, Page 2  
Joe Rogaly, Page 12

## Leyland Daf receivers say a strike would force closure

By Kevin Done and Robert Taylor

THE receivers for Leyland Daf warned the company's 5,500 UK employees yesterday that any industrial action to try to halt redundancies would force the closure of the entire company.

Workers at the Leyland Daf plants in England and Scotland were balloted yesterday on possible strike action in a last-ditch move by the unions to try to strengthen their ability to negotiate better redundancy terms.

Mr Murdoch McKillop, one of the joint administrative receivers, warned in a letter to all employees that the alternatives facing the company were "either to save cost by actioning the redundancies or to close the whole business down".

The receivers said the workforce would be cut "in the near future" by 30 per cent across the company, implying the imminent loss of around 1,650 jobs.

Mr McKillop warned that "if there is strike action then all 5,500 jobs with Leyland Daf will most likely be lost with a knock-on effect to suppliers".

Leyland Daf is the UK subsidiary of Daf, the beleaguered Anglo-Dutch commercial vehicle maker, which collapsed into receivership last week with total debts of more than £1.6bn (\$1.66bn) and after running up losses of more than £180m in the past three years.

The company has a total workforce of 12,650, and the Dutch administrators for Daf in the Netherlands warned earlier this week that more than half of the 6,500 jobs in the Netherlands and in Belgium would have to be cut.

Workers at all the UK's Leyland Daf plants agreed by substantial majorities at mass meetings yesterday morning to hold immediate secret ballots to win support for possible strike action against the company in a move to try to strengthen the bargaining power of the workforce in achieving better redundancy terms.

The results of the ballots will be announced this afternoon.

The workforce is not expected to take strike action, but the unions have been advised that once any workers have been made redundant they cannot lawfully strike or pressure the company in other ways.

Union leaders were aware after their talks with the receivers on Wednesday that redundancies were imminent, and decided to take co-ordinated action in a pre-emptive move to try to improve the redundancy terms of workers now facing dismissal in the first wave of job cuts.

Mr Karel van Miert, the European commissioner for competition policy, said yesterday the EC would investigate any government subsidies offered to bail out Daf. He said the EC had approved state aid for the motor industry

in the past as long as the cash was matched by cuts in capacity. He told the European parliament that his staff was monitoring plans to salvage the core Daf truck operations in a new company, New Daf.

He also raised the possibility of giving aid from the EC Social Fund to help alleviate the social consequences of Daf's collapse. "The Commission can intervene by means of the European Social Fund with measures designed to help employment stability and to develop new employment possibilities," he said.

Union leaders pointed yesterday to the stark contrast between the cash compensation redundant Daf workers will receive in the Netherlands and the amounts UK workers can expect now that the company is in receivership.

Mr Jack Adams, deputy general secretary of the UK's TGWU general workers union, said in Eindhoven yesterday, after a meeting with the Dutch unions: "It is disgraceful. Our workers face dismissal with no redundancy money from the company."

"Workers in Holland will get 70 per cent of their previous earnings for up to four years," he added.

Under UK law the sacked Leyland Daf workers will receive one week's pay for every year of service, funded by the state.

General Motors, Page 19

## Britain takes first step to road privatisation

By Richard Tomkins in London

THE UK GOVERNMENT plans to give Britain's 10,500km national road network to an agency called Highways Command as a prelude to possible privatisation.

Tolls could be introduced on trunk roads as well as motorways to offset the £2bn (\$3bn) annual bill for road building and repairs. Confirmation of the plan came with the publication of the Transport Department's annual report yesterday, which lists Highways Command with some smaller departmental activities as a candidate for agency status.

The new body would take responsibility for all Britain's trunk roads and motorways. Although these account for only 4 per cent of the country's total road length, with the rest owned by local authorities, they carry 32 per cent of all traffic and 56 per cent of goods traffic.

At present all trunk roads and motorways are toll-free. However the government has said that a green paper to be published this spring will propose charges on these routes to help meet the cost of the road programme.

The strong cashflow from tolls would for the first time raise the possibility of privatising the network, either through an outright sale or through a form of franchising. Officials stress that the plans are at an early stage and no timescale has been set.

News of the proposals comes days after the approval by the German ruling coalition of plans to privatise its 11,000km autobahn network.

The plans have provoked a furor among German motorists because they would be accompanied by the introduction of user fees that would be put towards the cost of restructuring the heavily indebted railways.

Although there are some privately-built toll roads in Europe, particularly in France, no country has yet moved towards the privatisation of all or part of its national road networks.

Britain has recently taken hesitant steps towards encouraging the private sector to design and build toll motorways, but so far these have made little progress. Only one project has yet been agreed and still has to go through the planning process.

Britain's road network will be the last significant part of the national transport infrastructure to remain in state hands when the planned privatisation of the railways is complete.

Critics of British transport policy have frequently suggested that the Department of Transport is biased towards roads because this is the only form of transport for which it retains executive responsibility.

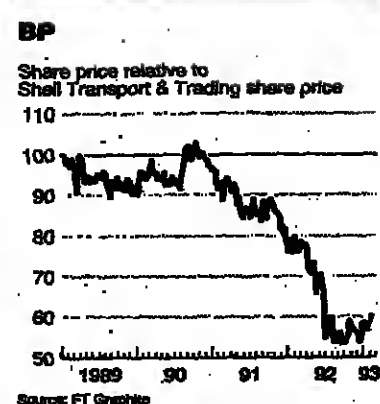
With roads hived off to a separate executive agency, the Transport Department would keep responsibility only for the strategic planning of the national road network.

There are already more than 90 executive agencies providing government services such as the payment of benefits and vehicle licensing. Each is headed by a chief executive who is given considerable freedom to manage the agency.

## THE LEX COLUMN

### Rights and wrongs

FT-SE Index: 2834.3 (+17.9)



Trafalgar House's new management certainly has some gall. Barely a month after an annual meeting at which last year's accounts were signed off despite criticism from small shareholders of its auditors, it has discovered the need for a further £120m in provisions. It has come to the market for a £205m rights issue despite - or perhaps because of - its failure to dispose of assets at reasonable prices. The earnings outlook remains depressing. Shareholders tempted to swallow the argument that the rights shares carry an attractive yield are being bribed with their own money. This year's dividend will be paid from reserves.

The timing of such an opportunistic strike is explained by Hongkong Land's unusual option deal which commits it to buy shares at a rights adjusted price of 70p from a still anonymous counterparty. That both underpins the share price and means the counterparty is able to underwrite a large portion of the rights issue at a guaranteed profit.

Without the option deal the issue could scarcely have been underwritten in the market. But the deal expires in May and the share price will again become subject to fundamental influences. Investors who do take up their rights will be pinning their faith in Hongkong Land, which looks set to use the opportunity to raise its stake to 29.9 per cent. Its extra influence might help turn the company round but it will be a long struggle. Trafalgar might have served its shareholders better by persuading Hongkong Land to mount a full bid in the first place.

BP The tide may finally be turning in BP's favour. The company stopped leaking cash in the fourth quarter thanks to lower capital expenditure and the reduced dividend. A modest repayment of bank debt was also possible in the second half, albeit at the expense of shrinking the business through disposals. Even so, Mr David Simon deserves credit for confounding the sceptics by raising £1bn from asset sales last year. With the nutrition business still up for grabs, this year's debt-reduction target looks in reach. The company can expect little help from the cycle. Although the US economy is reviving, overcapacity in petrochemicals and refining are already causing pain as Europe slides into recession. Having taken the pain of restructuring ahead of its rivals, BP

cerning BT's much-rumoured talks with the US-based Electronic Data Systems has been resolved. If BT were to buy a stake, it would make sense to do so soon. The tumbling pound is increasing the costs of overseas investments. Such a controversial move may queer the government's pitch. But why should government funding needs get in the way of strategic decisions by a privatised company?

Forte Forte has chosen a good moment to launch its £200m debenture. Lack of supply of long-dated paper allowed it to command a narrow 115 basis point spread over the equivalent gilt. By moving before pressure of Government borrowing pushed up absolute yields, it has secured 25-year money at little more than 10 per cent. That looks cheap compared with the cost of equity, assuming that Forte will start increasing its dividend again at some time over the next quarter century.

But the issue will still replace debt with debt. It is no substitute for a rights issue. If yesterday's 2 per cent rise in Forte's shares meant investors were reassured on this score, they were probably worrying needlessly in the first place. There are other reasons why Forte is unlikely to join the queue of companies seeking cash. One is its uncovered dividend. A rights issue would be difficult to market unless the payout were cut and rebased, which would in turn require sweeping changes at the top. So it is just as well for Mr Rocco Forte that the company's balance sheet is less stretched since the sale of Gardner Merchant.

BT BT's third-quarter results yesterday revealed that an increasing number of Britons nattered to each other on the phone for the second successive quarter. This is good news for the UK economy; it is also encouraging for BT's shareholders. But investors are not yet going to be swept away with excitement given the two bigger forces tugging away at BT.

The first is the government's sale of another slab of up to 22 per cent of BT's shares which may now come in early summer. The government's brokers will try to tickle up BT's shares in advance. They have a plausible line to push. BT's prospective dividend yield has now converged with base rates. The company will generate considerable cash next year creating further scope for rapid dividend growth. BT's redundancy programme will ensure that operating costs remain static while revenues pick up strongly in recovery.

But investors may resist such enticements until the uncertainty con-

UK economy Those who believe that the government's sudden decision to cut interest rates last month was a slap in the face for the Bank of England will find little point in listening to what its new governor has to say about interest rates. But Mr Eddie George fought back last night - appropriately enough in Frankfurt, the Mecca of all independent-minded central bankers. By drawing attention to the Bank's inflation reports, he has served notice that he does not intend to submit quietly to attempts at monetary subversion. By saying there is little room for further adjustment, he raised the stakes some more. For a while, at least, the government will not be able to cut rates without an open rift with the Bank.

## Delay mars achievements

Robert Graham examines the career of Bettino Craxi

IN AN IRONIC turn of the wheel of fortune Mr Bettino Craxi last night agreed to step down from the leadership of Italy's Socialist Party at a hotel within 500 metres of where in 1976 he was first elected to the post.

He took over a divided party and exploited its pivotal position in Italian politics as an ally of the Christian Democrats throughout the 1980s. But he now leaves a party rudderless, despised by the electorate and demoralised by the cumulative blows of the one-year-old Milan corruption scandal.

Mr Craxi has become the chief political victim of this scandal. He has now received six warrants from magistrates warning him he is under investigation for almost 50 instances of alleged corruption and illicit party funding from contract kick-backs. He was first urged to resign from the party and make way for new blood after the Socialists' poor showing in the April 4 general elections last year.

Fellow political veterans such as the Christian Democrat Mr Giulio Andreotti, who has been prime minister six times, and Mr Arnaldo Forlani, the Christian

Democrat party secretary, saw the writing on the wall and stepped aside. But Mr Craxi, clinging to power and, as the scandal broke, saw this as a deliberate attempt to undermine him and his family. His brother-in-law, Mr Paolo Pillitteri, a former Milan mayor, was one of those charged with corruption early in the investigation.

By refusing to resign, he increasingly split the party and it became identified in public eyes as the political grouping least capable of renewal. In hanging on so long and refusing to resign when receiving his first warrant of investigation in December, he has brought increased discredit on the party. His protests of innocence have gone unheard.

His behaviour and abrupt decline in his reputation has obscured his earlier achievements. When he took over the party he saw the need to move to the centre-ground of ideology, distancing himself from the party's long flirt with the marxist side of Socialism. He changed the party's symbol to a red carnation from the old hammer and sickle, and ditched the *Internationale*

song. He realised he could use the party's small 12 per cent vote as a key to winning to Christian Democrats stay in power.

With his strong personality and subtle understanding of the corridors of power, he managed to convince the Christian Democrats to allow him to become prime minister in 1983. He was the first socialist premier and the first from Milan. He presided over a stable government lasting 1,058 days, the longest in post-war history. His other main achievement will be regarded as initiating a process to end indexed wages - the "scala mobile".

But Mr Craxi will also be remembered for consolidating and expanding the control of the ruling parties over the state apparatus. He permitted and encouraged a systematic division of the spoils of office, placing his men in key positions throughout the state apparatus. This meant that the benefits of the economic boom of the 1980s were squandered, public spending was allowed to grow unchecked and corruption thrived. It is precisely this system that lies behind his downfall.

## Craxi quits in new blow to Socialists

Continued from Page 1

minister, yesterday went before the Senate to explain the consequences of Mr Martelli's resignation and pledge his government's determination to continue.

All parties listening to the

prime minister appeared aware that it made little sense to force a government crisis until electoral reform had been approved.

The prime minister yesterday laid special emphasis on the urgent need for new transparent procedures for the much abused

system of public works tenders. On Wednesday the 60-strong joint parliamentary commission agreed outline proposals for electoral reform which endorse the introduction of a first past the post system for most seats.

World Weather		°C		°F		°C		°F		°C		°F			
Buenos Aires	C	13	55	Frankfurt	F	11	52	Madrid	S	10	50	Oporto	S	10	50
Bombay	S	26	79	Geneva	F	11	52	Manila	S	26	79	Paris	F	10	50
Buenos Aires	S	13	55	Glasgow	C	6	43	Mexico City	F	21	69	Rio de Janeiro	F	19	66
Calcutta	S	26	79	Hong Kong	S	20	68	Sao Paulo	S	21	69	Rome	F	10	50
Cairo	S	26	79	London	C	10	50	Singapore	S	26	79	Stockholm	F	10	50
Canton	S	26	79	Los Angeles	F	10	50	Taipei	S	26	79	Tokyo	S	10	50
Cebu	S	26	79	Madrid	S	10	50	Tel Aviv	S	10	50	Yokohama	S	10	50
Colon	S	26	79	Manila	S	26	79								
Hankow	S	26	79	Moscow	F	10	50								
Hong Kong	S	20	68	New Delhi	S	26	79								
Kobe	S	10	50	Seoul	S	10	50								
London	C	10	50	Taipei	S	26	79								
Lyons	C	10	50	Tokyo	S	10	50								
Manila	S	26	79	Yokohama	S	10	50								
Medan	S	26	79												
Montevideo	S	10	50												
Mumbai	S	26	79												
Nairobi	S	10	50												
San Francisco	F	10	50												
Singapore	S	26	79												
Sourabaya	S	26	79												
Taipei	S	26	79												
Tokyo	S	10	50												
Yokohama	S	10	50												

## It's a tall order, even for Reuters.

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# FINANCIAL TIMES COMPANIES & MARKETS

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## INSIDE

### Lonrho falls 61% in line with forecast

Lonrho, the international trading group, reported a 61 per cent fall in pre-tax profits for 1992 in line with the forecast made before its recent rights issue. Pre-tax profits fell from £205m (£309m) to £80m on reduced sales of £3.87bn. Profits before extraordinary items fell from £90m to £2m. Page 22

### Oil traders brace to cut prices

Oil traders will mark prices down if ministers from the Organisation of Petroleum Exporting Countries do not agree to cut output. Prices tumbled in the first quarter as market traders saw Opec nations were not sticking by their November accord to cut output, but have been stronger in recent weeks. Page 30

### Havas in surprise 24% drop

Havas, one of France's most powerful media and leisure groups, revealed a surprise 24 per cent fall in net profits to FF820m (£150m) last year from FF1.03bn in 1991. Havas, which owns a number of prominent French businesses, lifted sales by almost 6 per cent last year. Page 16

### Ford unleashes credit card

Ford Motor, together with Citibank, followed the example of General Motors and launched consumer credit cards offering substantial discounts on Ford vehicles. The move will intensify competition in the US credit card market, where new entrants are challenging traditional card issuers with special offers. Page 17

### National Semi fights death spiral

National Semiconductor was once a rough, tough US semiconductor company, driving down costs and prices and pushing up market share. But since the mid-1980s, it has been in decline and is now, according to Mr Gil Amelio, president and chief executive, fighting its way out of a death spiral. Page 19

### Santiago soars to record

IFC Chile's stock exchange soared in January, after proposed capital market reforms promised to broaden the investment options of Chile's private pension funds. On one day, the turnover figure reached a record \$45.5m. Traders expect a surge of initial public offerings. Back Page

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### Chief price changes yesterday

FRANKFURT (DM)		Cen Values	
Riese	400	40	1
400	40	40	1
400	40	40	1
400	40	40	1
400	40	40	1
400	40	40	1
400	40	40	1
400	40	40	1
400	40	40	1
400	40	40	1

LONDON (Pence)		Maydon	
Riese	25 1/4	164	27
25 1/4	164	27	27
25 1/4	164	27	27
25 1/4	164	27	27
25 1/4	164	27	27
25 1/4	164	27	27
25 1/4	164	27	27
25 1/4	164	27	27
25 1/4	164	27	27
25 1/4	164	27	27

## Regulator probes Bronfman debt links

By Bernard Simon in Toronto

CANADA'S financial services regulator has asked banks, trust companies and insurers to provide full details of their exposure to the vast industrial and financial empire controlled by Toronto's Bronfman family.

The request, made earlier this week, comes amid uncertainty in financial markets about the ability of companies in the intertwined Bronfman group to withstand recent problems at

Bramalea, a property developer, and Royal Trust, Canada's second biggest trust company.

The Office of the Superintendent of Financial Institutions described the request as "a monitoring activity which should not be construed to shock".

The information, which must be provided by today, will be kept confidential.

According to banking analysts, Canadian Imperial Bank of Commerce and Toronto-Dominion

Bank have the heaviest exposure to the Bronfman companies.

The group has not disclosed the full extent of its borrowings or off-balance sheet financing.

However, banks have stressed that the bulk of their outstanding loans are to publicly-listed operating companies, such as Noranda, the resources group, John Labatt, the brewer, and Bramalea and Trizec, the two property developers.

Some banks have already announced write-downs on their

loans to Bramalea, which filed for bankruptcy protection last December with debts of C\$5bn (US\$1.9bn).

Royal Trust is seeking an infusion of equity from an outside financial institution.

However, outsiders' concern centres on the Bronfmans' inner holding companies, such as Hest International Bankcorp, Edper Enterprises and Pagurian.

In response to market nervousness, these companies have in recent months wound down vir-

tually all their commercial paper programmes.

Noranda moved earlier this week to insulate itself from concerns about the strength of the rest of the Bronfman group by raising almost C\$1bn from the sale by instalments of its 49 per cent stake in MacMillan Bloedel, the Vancouver-based forestry company.

Share prices of Noranda as well as other companies in the Bronfman orbit have rallied since the Macho sale was announced.

## Sears, Roebuck details its shake-up

By Karen Zagor in New York

SEARS, Roebuck yesterday revealed details of its restructuring plans, including a \$4bn five-year capital expenditure programme for its stores and a 58.6 per cent cut in debt and deposits as the US retailer tries to regain its competitive edge.

Mr Edward Brennan, chairman and chief executive, said the company expected the share issue of 20 per cent of its Dean Witter Financial Services subsidiary to be priced and completed by the end of the month, slightly ahead of schedule. The level of interest in Dean Witter is "about as high as one could hope", he said.

The spin-off of the remainder of Dean Witter, which includes the profitable securities brokerage and Discover credit card operations, is expected to be completed by the end of the year.

Sears expects cumulative proceeds of about \$3bn from the Dean Witter share issue and spin-off, a 20 per cent share issue of its Allstate insurance subsidiary and the sale of its Coldwell Banker property broker.

Mr Arthur Martinez, the former finance director of Saks Fifth Avenue who took the helm of Sears' retail operations from Mr Brennan in October, stressed the need to shift Sears' retail strategy from a national approach to a more flexible regional approach. "We need to react on a market-by-market basis, not nationally," he said.

"We believe we have the best retail store locations at major regional malls in the country, which offer us tremendous growth potential. While a considerable amount of work has been done in our stores in recent years, much more needs to be done and at an accelerated pace," Mr Martinez is credited with deciding to shift Sears' loss-making catalogue business. Sears plans to spend about \$4bn upgrading its US retail stores over the next five years.

Sears shares rose 5 1/4% to a 52-week high of \$31 1/2 at midday. The stock was trading at around \$41 before the demerger was announced in September.

Sears predicted an 11.5 per cent decline in revenue to \$52.3bn after the repositioning, a 23.6 per cent drop in assets to \$79.6bn and a drop in debt and deposits to \$15.4bn.

It aims for a 15 per cent return on equity of about 15 per cent for 1993 from about 11 per cent on continuing operations in 1992.

## John Gapper explains why the UK banking sector is now seen as a recovery stock

### Bank shares set to shake off their dowdy reputation

British banks have three audiences to please: customers, staff and shareholders. In the past 18 months, they have angered customers by raising charges, and dismayed staff by cutting jobs. But these failures have been balanced by a remarkable resurgence in how shareholders regard them.

As the UK banks' full-year results season opens today with Lloyds expected to announce increased pre-tax profits of about £700m (£1.05bn), the banks are close to shaking off 20 years of share underperformance. The sector may hit parity with the FT-A All-Share this year for the first time since 1976.

This is partly because of the addition of HSBC Holdings to the sector following the takeover of the Midland Bank by the Hong Kong and Shanghai Banking Corporation last year. Brokers calculate that the sector's ratio to the All-Share would drop from yesterday's 93 per cent to about 83 without HSBC.

But it also reflects a feeling that the worst of the bank's poor profitability since their peak in 1988 is behind them, and they are largely recovery stocks. Banks are expected to benefit further if Britain has entered a period of low interest rates, because loan risks will be reduced.

Shares have risen strongly since the interim results on hopes that full-year operating profits will reflect concerted efforts to cut costs, and raise income from sources other than loans. Banks' profitability has also been helped by the widening of loan margins as base rates have fallen.

This optimism seems strange in view of the size of provisions for bad and doubtful debts on lending in the 1980s. S.G. Warburg Securities expects a total bad debt charge of £5.3bn for Bar-

clays, Lloyds, National Westminster, HSBC, Abbey National and Standard Chartered.

But Mr Nick Collier, an analyst at Morgan Stanley, says bad debts are largely on a downward cycle while rises in pre-tax profits this year will reflect a long-term strengthening of operating profitability. Banks are expected to approach their 1988 level of return on capital by 1995.

Results will depend on the two factors. A shrinking balance sheet is expected to cut profits before provisions at Lloyds, but also to reduce its bad debt charge. Barclays is expected to disclose a rise in operating profits on March 4, but is set to be taken into loss by a higher debt charge of more than £2bn.

Barclays' bad debt charge will

### Banks can at least take comfort in popularity among shareholders

attract the most criticism. The bank has suffered from appearing not to make provisions early enough compared with National Westminster. Mr Julian Robins, an analyst at BZW, argues that it could still be underprovided by about £1bn despite the rise.

Abbey National's bad debt charge is expected to double to around £300m because its lending is still largely based in the depressed residential housing market. Abbey's provisions will also reflect bad loans in France and Spain - a common theme in continental lending.

For other banks, operating income and costs will be the focus of attention. The most important element of income is likely to be charges. Because loan

demand is not expected to recover in the depressed UK economy, non-interest earnings are vital to profitability.

"There will be pretty sluggish growth in interest income because of low lending volumes, and non-performing loans," says Mr Hugh Pye, an analyst at Robert Fleming Securities. But banks are expected to have improved non-interest income by raising charges, and selling more financial products.

Mr Terry Smith, an analyst at Collins Stewart, says banks have achieved "astonishing" rises in charges on business such as small corporate lending because of their customers' lack of bargaining strength in recession. NatWest's non-interest income is expected to rise by 9.5 per cent.

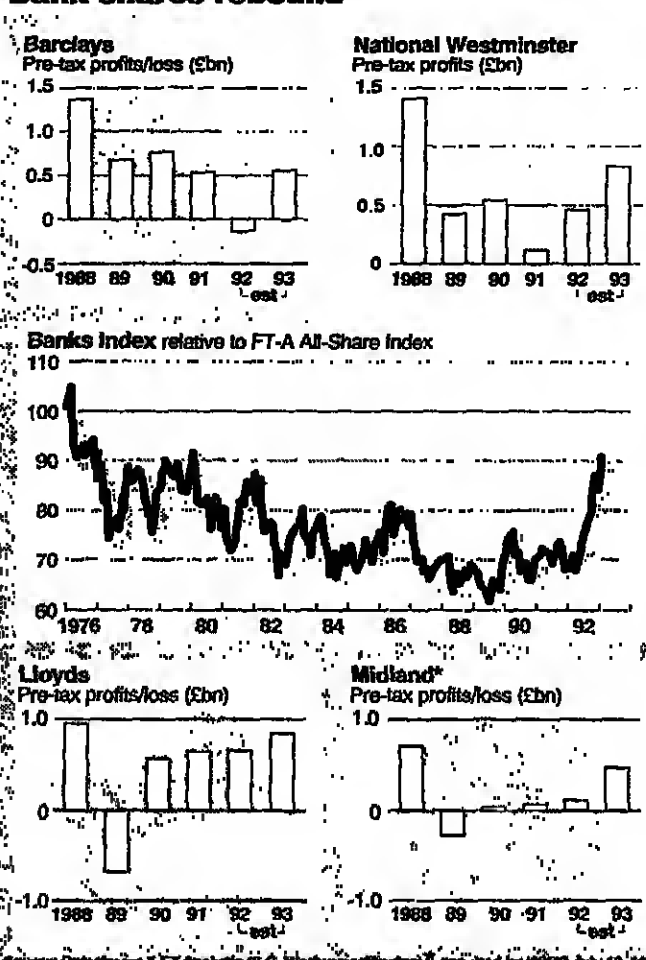
The other side is costs. Banks have made strenuous efforts to reduce overheads through branch closures and staff cuts. Those that took longer to make cuts had more scope last year. Mr Robins says Lloyds' headcount is already 18 per cent below its peak, compared with only 9 per cent below for Barclays.

In the longer term, share performance may depend on much on the strength of balance sheets - showing the banks' capacity to expand loans in recovery - as the profit figures. British banks are still well-capitalised, but they have been somewhat weakened by low dividend cover in the past two years.

Although they would remain comfortably within Basle capital ratios given anticipated levels of loan growth over the next two years, stronger expansion could strain ratios. Standard Chartered has strengthened its core tier 1 capital ratio by disposing of £200m of properties in Asia.

This has led to strong speculation about one of the banks mak-

### Bank shares rebound



ing a rights issue soon. But most analysts believe this is unlikely until next year because of market disenchantment at the manner in which previous issues such as Barclays' £922m issue in 1985 went to poor-quality lending.

"I am sure they would like issues, but whether they could get away with them is another matter," says Mr Ian Poulter, an analyst at Yamaichi International. Market sentiment is also affected by the fact that Barclays could cut its dividend this year to reduce an anticipated retained loss of £600m.

Uncertainties of this kind mean bank shares are far from guaranteed to continue their outperformance. An unexpected rise in provisions, or poor performance in raising in costs, could easily disturb the market's confidence of the past six months.

Such uncertainties aside, the market appears to think the results will mark a break with the problems of 1989-91, and a phase of steadier profitability. The banks can at least take comfort in this new-found popularity among shareholders amid the chorus of criticism from others.

## Trafalgar House seeks to raise £204.5m from rights issue

By Roland Rudd in London

TRAFALGAR House yesterday announced a one-for-two rights issue at 60p to raise £204.5m (£300m), and warned of further property write-downs.

The ordinary and A shares of the UK construction, property and shipping group fell by 12p and 11p to close at 76 1/4p and 75p respectively.

Only months after the group unveiled massive write-downs for 1992 it warned that another £100m of exceptional losses and write-downs may be required by the year ending September 30. The total dividend is to be cut from 5p to 3.25p. Since the year-end net borrowings have risen from £352.6m to £580.3m, reflecting the effect of the devaluation of sterling on the translation of US borrowings.

## BP upbeat as cuts reduce debt

By Deborah Hargreaves in London

BRITISH Petroleum said yesterday that its stringent cost-cutting measures adopted to tackle its huge debt burden were beginning to show up in the company's results. At the same time, BP has managed to arrest its large cash burn in spite of extremely difficult market conditions.

In an upbeat presentation yesterday, Mr David Simon, group chief executive, said: "There are signs we are following the track we chose in the middle of last year more confidently now." He was referring to targets set for the company to make profits of £2bn by 1995 and pay down its debt at \$1bn a year.

BP reported a loss for 1992 of £328m (£499m) on a replacement

cost basis - which strips out the losses and gains from stockholding - after a \$990m restructuring charge. This compares with a profit of £1.04bn for 1991 and has been restated to adopt FR3 3, the new accounting standard.

But fourth-quarter income more than doubled from the previous year and the company had a net cash inflow in the final quarter of £136m. This compares with outflows of £507m for the full year and £1.14bn in 1991.

The company said it would pay a dividend of 2.1p a share for the final quarter, making a full year payout of 16.8p, down 37.5 per cent from 16.8p in 1991. Lord Ashburton, the company's chairman said: "The company is occupied with reaching the targets it set itself and only then will it look at increasing the dividend."

Mr Fergus McLeod, oil analyst

at NatWest Securities, said the figures showed some evidence that the pain the company was going through was worthwhile. "It's encouraging, it suggests that what is being done on costs is having some positive impact on the bottom line."

The company has cut 14,500 jobs and will restrict capital expenditure to \$5bn this year from \$6.1bn last year.

But in spite of paying down almost \$1bn of the company's \$15.3bn debt burden, BP's debt to equity ratio rose to almost 100 per cent following the devaluation of sterling - most of the company's debt is denominated in dollars. The City of London is concerned about the company's indebtedness and is looking for evidence that it will continue to pay it off in coming years.

Lex, Page 14; Details, Page 22

This announcement appears as a matter of record only.

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UK's largest contract caterer

**£402,000,000**  
Acquisition from Forte Plc

**£220,000,000**  
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Bank of Scotland  
The Fuji Bank, Limited  
Société Générale  
The Bank of Nova Scotia  
Samuel Montagu & Co. Limited  
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Union Bank of Switzerland

The acquisition was led and negotiated by CIB/Ver

Coopers & Lybrand acted as investigating accountants and Allen & Overy as solicitors to the arrangers and the senior lenders.

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## INTERNATIONAL COMPANIES AND FINANCE

## Unitas sinks further into the red

By Christopher Brown-Humes  
in Stockholm

UNITAS, Finland's second-largest banking group, yesterday disclosed a Fm2.7bn (\$499.3m) pre-tax loss for 1992 and warned that it would record a heavy deficit this year.

A tripling of credit losses to Fm3.3bn from Fm1.1bn was the main reason for the deterioration on the Fm125m loss in 1991. The group's net income from financing operations shrank 17 per cent to Fm1.86bn due to an increase in non-performing loans.

At the year end, the group's non-performing loan portfolio stood at Fm8.3bn, or 6.14 per cent of total loans outstanding, compared with Fm5.7bn in 1991. There will be no dividend. Unitas, which is the holding company for the Union Bank of Finland, drew some comfort from the fact that its loss was slightly lower than predicted at the eight-month stage, as it benefited from a drop in interest rates and a rise in equity prices over the last four months. It cut operating expenses during the year by Fm155m, or 7 per cent.

In spite of the overall loss

the group's capital adequacy ratio stood at 11.1 per cent at the year end, compared with 10.3 per cent a year earlier. This reflected the impact of the group's August convertible bond issue and a Fm1.7bn government preference capital injection.

Unitas said its position should be strong enough for it to be able to get through 1993 without support from the government guarantee fund. However, it was looking at the possibility of raising new capital, possibly by launching a US preference share issue, and said it may seek a

government guarantee for this.

The group said its 1993 result would be "heavily negative" because of the continuing Finnish recession. But there were some optimistic signs and the group was hoping its result would not deteriorate any further.

"The drop in interest rates will improve operating conditions and the unwinding of risks and losses relating to certain equity holdings last year will have a similar impact," said Mr Vesa Vainio, Unitas chief executive. He added that the group could expect to benefit from cost-cutting.

## Austrian banks hold merger negotiations

By Eric Frey in Vienna

ERSTE Oesterreichische Sparkasse Bank, a large Austrian savings bank, is to start merger talks with Girocredit to form Austria's second largest bank.

Erste, which holds 21.5 per cent of Girocredit, is planning to acquire the 30.5 per cent stake held by Bank Austria, the country's largest bank.

Erste and Bank Austria plan to finalise the transaction in time for Girocredit's annual meeting in April. Erste is looking for other partners, such as smaller savings banks and insurance companies, to help finance the acquisition.

A full merger would be postponed for several years, Erste said. The takeover of Girocredit by Erste would mark the largest change in the Austrian banking industry since Zentralparkasse, another large savings bank, merged with Landesbank last year, to form the new market leader Bank Austria.

Girocredit, the product of a merger between Girozentrale and the much smaller retail bank OGI, has acted as the clearing house of the Austrian savings banks, but the wave of mergers between savings banks and commercial banks has left it without a franchise.

The Erste-Girocredit group would be the third Austrian bank with balance sheet assets of more than Sch500bn (\$44bn).

However, banking analysts said the country's banks may be too small to survive in the more competitive environment of the European single market.

## Union Bancaire Privé improves

Union Bancaire Privé, one of Switzerland's largest private banks, said net profit in 1992 rose 16 per cent to SF198m (\$73.9m), writes Ian Rodger in Zurich.

The bank said assets grew 20 per cent to SF10.8bn and shareholders' equity was over SF775m at year end.

## Euro Disney warns of large deficit for the year

By Alice Rawsthorn in Paris

EURO Disney, which operates the FFr4.2bn (\$768m) EuroDisneyland theme park near Paris, has warned shareholders it will make a substantial loss this year.

Mr Philippe Bourguignon, who last month took over as chairman, told an investors' meeting in Paris he expected to see an improvement in the second half of the year, but that Euro Disney would stay in the red for the full year.

Euro Disney, which made a pre-tax loss of FFr339m in its

last financial year to September 30, has announced a deficit of FFr552m for the first quarter of this year.

Mr Bourguignon said it was on course for slightly worse losses in the second quarter. When asked whether Euro Disney would be profitable in the second half he replied: "The third quarter - I don't know. The fourth quarter - I hope so."

Since its opening last spring, EuroDisneyland has been hit by shortfalls in attendance and merchandise revenue due to the economic environment and

strength of the French franc against other European currencies. The group is burdened by high financing costs after being forced to postpone its property development programme because of the Paris property slump.

Analysts estimated that Euro Disney would attract 10m-10.5m visitors by the end of its first year. This compared with Euro Disney's forecast of 11.5m visitors. Mr Richard Simon, analyst at Goldman Sachs in New York, expected Euro Disney to produce a net loss of "at least FFr750m" this year.

## British Telecom drops 7% in third term

By Alan Cane in London

BRITISH TELECOM'S third-quarter profits before tax were down on last year and below City expectations but analysts were satisfied with a sound performance in a difficult economic climate.

The shares rose 4p to 412p, roughly in line with the rise in the market yesterday.

Mr Iain Vallance, BT chairman, said a slight improvement in inland call volume in the second quarter had been maintained. Call volume growth is an early indicator of the changes in the economy, giving some hope that the corner had been turned. But Mr Vallance warned: "The economic outlook remains diffi-

cult while competition and regulation continue to exert pressure on our performance."

Profit before tax was £705m, (\$1.1bn) a 7.1 per cent fall from £758m for the same period last year.

Profit before tax for the first nine months of the year was £1.73bn, down 25.9 per cent on last year's £2.37bn. Analysts had been expecting between £720m and £750m for the quarter but were surprised by an exceptional charge of £56m for the premium paid on the repurchase in December last year of Government-held bonds.

They had also overestimated the cost to the company of restructuring in the quarter which was £17m rather than

the £20m anticipated. Earnings per share were 7.2p for the third quarter, 12.3 per cent down on last year, and 17.3p for nine months, 32.4 per cent down.

Turnover of £3.28bn for three months and of £9.81bn for nine months was essentially flat compared with last year.

The company refused to confirm or deny comment on rumours that it was negotiating to take a substantial stake in Electronic Data Systems, the computing services arm of General Motors.

EDS, which reported its 1992 results in the US yesterday used almost the same form of words to make the same point. As yet, there are no indications that BT is preparing to

fund such an acquisition.

Inland telephone call revenues were almost static in the nine-month period but grew 1.2 per cent in the third quarter. Higher volumes in the company's "Sunday Special" incentive offset lower prices. BT said, however, that there had been a slight increase in inland call volumes independent of its special schemes.

Capital expenditure in the nine-month period fell to £1.51bn from £1.75bn a year ago; in the three months it fell from £575m to £561m suggesting the organisation is keeping a tight grip on spending. Analysts are maintaining pre-tax profit estimates for the full year at £2.55bn.

Lex, Page 14

## Kone earnings lifted by elevator operations

By Christopher Brown-Humes

KONE saw profits after financial items rise 7 per cent to Fm478.9m (\$89m) in 1992, thanks to a recession-resistant performance from its core elevator activities.

Sales expanded 12 per cent to Fm11.3bn, reflecting acquisitions and the weakening of the Finnish markka. Dividends are unchanged at Fm9 per A share and Fm10 per B share. Earnings per share rose to Fm51.45 from Fm43.88.

The group said demand for elevators and cranes continued

to decline in Europe, its main market, and North America's share of overall business was down. But maintenance business grew worldwide and new equipment sales benefited from strong growth in Asia Pacific.

Kone's elevators business lifted sales to Fm8.3bn from Fm7.1bn, with maintenance business, which is more recession proof than new business, accounting for as much as 60 per cent of the total.

Kone said it had decided to delist its shares from the Stockholm stock exchange because of low volume.

## Pleidat sells office complex in Brussels

By Christopher Brown-Humes

PLEIAD Real Estate is selling a newly-built complex in central Brussels for SKr3bn (\$415m) in what it claims is one of Europe's largest single property transactions. The buyer is the Belgian telephone company Belgacom, which will be able to gather its various operations under one roof.

The complex, known as Tours Pleiad, is situated at the Gare du Nord and comprises 110,000 sq metres of office space in two 29-storey buildings and one 7-storey pavilion.

Mr Per Mellander, Pleiad chief executive, said: "We're delighted at having been able to close this large deal, given today's tight real-estate market in Europe."

He said the complex's central location, with good transport links, and its "high Scandinavian quality" had been crucial factors in clinching the sale.

Pleidat was set up in 1989 by five investors, comprising the motor vehicle group Volvo and four Swedish pension and insurance groups. Its property and development project portfolio totals SKr7bn.

## Havas falls 24% to FFr820m

By Alice Rawsthorn

HAVAS, one of France's most powerful media and leisure groups, yesterday revealed a surprise fall in net profits of 24 per cent to FFr230m (\$150m) last year from FFr1.03bn in 1991.

Havas, which owns a number of prominent French businesses including the Eurocom advertising group and a chain of regional newspapers, managed to lift sales by almost 6 per cent last year with turnover rising to FFr28bn from FFr26.4bn in 1991.

However, the company, like other service sector groups, has come under pressure because of the slowdown in the French economy. Fears of rising unemployment and high interest rates have depressed consumer confidence and household expenditure was static in France last year.

Mr Pierre Dautier, Havas's chairman, told shareholders in December that the group would produce static profits in 1992.

Difficult economic conditions have affected Havas's travel interests as well as its advertis-

ing activities, which were destabilised by restructuring after a series of acquisitions and by the impact of *la loi Sapin*, the government's new legislation on media buying.

In spite of the decline in its 1992 profits Havas has decided to maintain its dividend at FFr12 a share.

It has agreed to extend the contracts between its information and Publicité subsidiary and Compagnie Luxembourgeoise de Télévision, the broadcasting group in which it is indirectly a substantial shareholder, for a further five years.

## Fiat-Impresit to take large holding in Lain

By Haig Simonian in Milan

FIAT-IMPRESIT, the construction and civil engineering arm of Fiat, is reorganising its operations in Spain in a complex deal that could represent a partial disinvestment from its Spanish activities.

Fiat-Impresit is buying a substantial stake in Construcciones Lain, one of Spain's 10 biggest building concerns. The holding, to be taken through a capital increase by Lain, will be "significant, but not controlling," Fiat said. Lain is understood to have bought Fiat-Impresit's 33 per cent share in Hasa, the parent company of

one of Spain's largest construction groups, Huarte, yesterday.

This operation would appear to release cash for Fiat-Impresit, which is selling a substantial stake in a large company for at most a similar-sized participation in a smaller one. Fiat said the deal was designed to increase co-operation between Fiat-Impresit and Lain in the established construction business.

Fiat-Impresit will take its stake in Lain via a Ptas4.4bn (\$46m) capital increase by the Spanish company. Fiat will make a public tender offer of Ptas10 each for share rights linked to the transaction.

## L'Air Liquide advances to FFr2.64bn

By Alice Rawsthorn

L'AIR LIQUIDE, the French industrial gases group, increased net consolidated profits by just over 2 per cent to FFr2.64bn (\$472m) last year, from FFr2.59bn in 1991.

The increase reflected continued growth in the group's gas interests. But it suffered a setback in its chemical activities, mainly because of an accident at one of its plants.

Consolidated sales fell by 5.9 per cent to FFr28.8bn last year. A big factor in the decline was the fluctuation in exchange rates since September, it said.

NEW ISSUE

This announcement appears as a matter of record only.

February 1993

## S x L Corporation

U.S.\$80,000,000

2 1/2 per cent. Notes 1997

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## What does a cellular call in Querobabi, Mexico, have to do with a TV show in Liverpool?

We're involved in both. As the need for advanced communications grows worldwide, Southwestern Bell Corporation is growing internationally to meet it. We're now the 50th largest company in the world, doing business on five continents. And a few islands.

We're in Mexico, where we have controlling interest in Teléfonos de México with our partners, Grupo Carso and France Telecom. Over the next four years, Telcel is investing nine billion dollars in cellular and other network upgrades.

We're in the U.K., where we provide cable-television and telephone services to eight markets. That makes us one of the top three cable providers in the country.

We're in Australia, as partners in Pacific Access, a company which produces, distributes, and markets Yellow Pages directories.

We're in Israel, where our interests are in cable networks, telephone directories, and directory software.

And in the U.S., we provide more than 10 million people with cellular communications and network telephone service and equipment.

From wireless personal communications to advanced fiber-optic networks, we have the technology to help people communicate better around the world. It's nice to feel welcome in so many places.

## 1992 Annual Results

	1992 (unaudited)	1991	%Chg.
Sales (\$000,000)	\$10,015.4	\$ 9,351.9	7.5
Net Income (\$000,000)	1,301.7	1,196.5	12.6
Earnings per Share	4.54	3.85	12.7
Assets (\$000,000)	25,010.0	25,170.4	0.7
Access Lines (\$000)	12,803	12,598	3.3
Cellular Customers (\$000)	1,413	880	47.2

\*Includes 1991 extraordinary charge of \$80.7 million, including charge, 1991 earnings were \$3.26 per share and 1991 net income was \$1,977.8 million.

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For more information about SBC, please contact Director-Investor Relations, One Bell Center, Rm. 304-1, St. Louis, MO 63101-3000, U.S.A. Tel: (314)255-7811 or T.J.R. Dawson & Co., World Trade Centre, London, England E9A, U.K. Tel: (071)588-2453.



## Ford follows GM with introduction of credit cards

By Martin Dickson  
in New York

FORD Motor, in partnership with Citibank, yesterday followed rival General Motors and launched consumer credit cards offering customers substantial discounts on the purchase of Ford vehicles.

The move will intensify competition in the US credit-card market, where traditional bank issuers are being challenged by new entrants such as GM and American Telephone & Telegraph, offering rebates on goods and services.

Ford's introduction of Visa and MasterCard comes six months after the launch of the GM MasterCard - the most successful US credit-card introduction ever, attracting more than 4.5m cardholders. Ford said yesterday it aimed to top GM, but gave no forecasts.

For Ford, and GM before it, the cards are an attempt to build brand loyalty through a new form of customer rebate. GM's share of the US car market dipped from 35.9 per cent in 1991 to 34.9 per cent last year, while Ford's rose 1.7 per cent to 21.6 per cent.

For Citibank, the leading issuer of credit cards in the US, the Ford tie-up could mean a

sizeable increase in its cardholder base at a time when its account growth has been slowing. "This is an effort to grow the business," said Mr James Bailey, who heads north American consumer banking.

The bank already has similar partnerships with other major US corporations, notably one with American Airlines which allows cardholders to earn points towards free travel.

Ford's card allows customers to earn rebates, equal to 5 per cent of their purchases, of up to \$700 a year for five years, and then get a rebate of \$3,500 on the purchase of a vehicle.

Ford claimed its card was superior to GM's in that it offered a \$3,500 rebate over five years, rather than seven; a lower rate of interest on outstanding balances; and the advantages of a link-up with Citibank, which offers cardholders fringe benefits. GM's card is administered by Household Credit Services, the ninth largest US card issuer.

Ford's card charges a \$20 annual fee, while GM's has none. However, the fee will be waived for the first year and payment thereafter will qualify holders for an annual, additional \$50 rebate when they buy a Ford vehicle.

## Cummins stock climbs on turnaround in income

By Patrick Haverson  
in New York

SHARES in Cummins Engine, the world's biggest independent manufacturer of diesel engines, rose sharply yesterday after the US company reported fourth-quarter net income of \$24m, a sharp turnaround from the \$23m loss at the same stage a year ago.

The company's earnings in the latest quarter would have been higher, but for the extraordinary charge of \$5.5m Cummins took to cover early retirement of highest debt.

Despite the charge, however, investors were cheered by the news from Cummins, which has now made a profit in the last four quarters thanks to a

combination of cost-cutting measures and a revival in key markets that has helped the company recover from a string of losses. Cummins' shares rose \$3 to \$84 1/4 on the New York Stock Exchange.

For the full-year, Cummins earned \$67.1m, compared with a \$65.6m loss incurred in 1991. The net effect of adopting three new accounting standards issued by the Financial Accounting Standards Board, however, left the company with a net loss of \$189.5m last year.

Sales to the North American heavy-duty truck market, where the company maintains a market share of about 38 per cent, rose in the fourth quarter.

## AT&T in damages claim

By Martin Dickson

THE battle for market share in America's long-distance communications business has taken a new legal twist with American Telephone & Telegraph, the largest long-distance group, asking a federal court to award it damages against three rivals: MCI Communications, Sprint and Witel.

It complained they had undercut AT&T's rates by providing "secret" contracts to business customers.

The action stems from an

appeal court ruling in Washington DC last November that all long-distance carriers must publish their prices in accordance with the Communications Act of 1934.

AT&T said its damages claim covered "many millions of dollars."

MCI said AT&T had been stung by a "continuing string of losses to MCI among its largest customers," and it dismissed as "absurd" the assertion that secret deals had denied customers the benefits of competition.

## VF Corp plans Polish plant

By Christopher Bobinski  
in Warsaw

VF Corporation, the US apparel group which owns the Wrangler and Lee jeans brands, plans to invest \$6m in a production facility in Lodz, Poland's recession-hit textile centre.

The operation, the group's

first venture of this kind in a former Soviet-bloc country, aims to build on a 16-year Wrangler presence in Poland's hard-currency stores and high brand awareness. The factory is to employ 200 people.

Levi Strauss, another jeans producer, has a factory in Plock, 120km north of Warsaw, which employs 280 people.

## Net income at CBS up 254% in final period

By Karen Zagor in New York

CBS, which owns one of the three US television networks, has reported a 254 per cent surge in fourth-quarter net income, reflecting the network's rise to the top of the prime-time television ratings and a better advertising environment.

The group posted fourth-quarter net income of \$32.3m, or \$2.14 a share, against \$9.4m, or 61 cents, a year earlier. Sales rose 3 per cent to \$968.3m, from \$937.4m.

For the whole of 1992, CBS earned \$81m, or \$5.23, compared with a loss of \$85.8m, or \$5.32 in 1991.

Income from continuing operations stood at \$162.5m, or \$10.61, against a deficit of \$98.7m, or \$6.11 a year ago. Sales rose 15 per cent in the year to \$2.5bn from \$2.04bn.

Mr Laurence Tisch, group chairman and chief executive, said the television network returned to a modest level of profitability in 1992, helped by improved results in entertainment, news and sports programming. He said the company was also "applying our resources in wider, more cost-effective ways."

The strong growth in the network's prime-time ratings, which Mr Tisch said was the biggest single-season gain by any network since 1976-77 allowed the group to increase advertising unit pricing and lifted revenues.

"We presently believe that CBS' 1993 operating performance may surpass 1992's level as a result of further gains in earnings at the television network," he said.

## Woolworth to keep German operations

WOOLWORTH, the US retailing group, does not plan to sell its general merchandise or specialty store operations in Germany, AF-DJ reports from New York.

The company had announced in November that it was exploring the possible disposal of some or all of its German operations.

Woolworth operates more than 500 stores in Germany through its subsidiaries, including 330 Woolworth general merchandise stores and 190 specialty stores.

The company said its German operations would continue to operate under its present management.

The company also operates 144 Foot Locker athletic footwear and apparel stores in eight countries in Europe. Woolworth said it still planned to be operating at least 1,000 Foot Locker stores throughout Europe by the year 2000.

Woolworth has also named Mr William Layton as chairman and chief executive to replace Mr Harold Sells, who he retired, at the age of 65, in July.

Mr Layton, who is 48, has served as chief financial officer of the US retailer since 1991. He joined Woolworth in 1981.

An announcement about Mr Sells' successor has been widely expected since September, when a German Federal and Exchange Commission filing showed that Mr Sells had sold \$3.4m of stock in the company.

## Southern belle puts on fresh make-up

The chairman of Delta explains the recent dramatic changes at the airline to Paul Betts

NEVER in the highly cyclical history of civil aviation have times been quite so bad, said Mr Ronald Allen, chairman of Delta Air Lines, the third biggest US carrier.

"We can't wait for the economy to turn around: we must re-engineer our airline and reduce our costs," he added during a brief visit to London.

The last few months have seen dramatic changes at the Atlanta-based airline, long regarded as the "Southern belle" of the US industry because of its conservative and profitable track record.

Delta is still "a good, strong airline," said Mr Allen, but "we are not immune to the kind of pressures that are facing this industry."

The carrier has incurred only four annual losses in its history: in 1947, 1983 and in its last two fiscal years ended June 1991 and June 1992. But its recent losses have been even bigger than those of its two big US rivals: American Airlines and United Airlines. After a net loss of \$394.4m in the year to June 1991, Delta's deficit rose to a record \$596.3m for the year to June 1992. In its current year, it has so far lost \$233m.

Mr Allen's response has been to launch what he calls a "profit improvement plan" to save \$375m by the end of June 1993. This includes a consolidation of existing activities; rescheduling and reallocation of flights; deferring deliveries of more than \$60m worth of new aircraft ordered by the airline, which already counts a fleet of some 500 airplanes; and a 5 per cent pay cut for its 75,000 employees.

The company also cut its quarterly dividend last December and has shed 5,000 jobs during the past 12 months through early retirements, freezing recruitment and reducing the number of temporary workers.

"Although we reduced the dividend from 30 cents a share to a nickel [5 cents], we are one of the few carriers still paying a dividend," Mr Allen emphasised, adding that he was encouraged to see the cost reductions starting to feed into the airline's financial performance.

"The results of the December quarter were disappointing but better than last year and almost all the improvement was due to cost reduction," he explained.

Delta's problems have been compounded by an unfortunate sequence of events. It started when the now-defunct Eastern Airlines, operating under US Chapter 11 bankruptcy rules, decided to rebuild three years ago a hub at Atlanta, Delta's home base.

"We found ourselves competing against a bankrupt airline which was cutting fares in an effort to generate cash flow," Mr Allen said. When Iraq

decision to acquire Pan American's European routes for \$506m. Although the timing was unfortunate, Mr Allen claimed he had no regrets about the purchase. "It was a very important deal for us strategically and tactically: it was a once in a lifetime opportunity," he said.

To compete on the important transatlantic market, Delta needed to strengthen its presence in New York and the north-east of the US. Mr Allen said his airline needed to increase its presence in this market in order to avoid losing business on both transatlantic and domestic US routes.

ing the north Atlantic market, it has struggled to establish a strong identity in the European market. For this reason it has just appointed a new vice-president for Europe - Mr Michael Medlicott, former chief executive of the British Tourist Authority.

Delta is also banking on its strategic alliance with Swissair and Singapore Airlines to strengthen its global operations both in the European and the Asia-Pacific markets. But Mr Allen stressed that his airline's cross-equity holdings in Swissair and Singapore Airlines differed from the recent spate of alliances with other US carriers.

"Most of the current alliances formed with US airlines are bail-outs of financially troubled US carriers which are looking for money," Mr Allen said.

Delta, together with American and United, has led the campaign against British Airways' equity investment in USAir, the sixth largest US carrier. The big three US carriers successfully lobbied the Bush administration last winter to block BA's original proposal to acquire a 44 per cent stake in USAir for \$750m.

They are now renewing their efforts with the Clinton administration to torpedo BA's revised deal with USAir, initially involving a \$300m investment by BA for a 19.9 per cent stake in the Pittsburgh-based carrier.

"The latest BA deal is only a warmed-up version of the original one and their intent is the same," Mr Allen claimed. Together with the other two big US carriers, Delta has asked the administration to declare a moratorium on all foreign investment in US airlines until the US government clearly defines a new international aviation policy.

"The new administration has a wonderful opportunity to redefine the rules for everyone: we favour open skies and we want to compete in an open market place," Mr Allen said.

In other words, the US should only allow BA to establish a strong foothold into the US market through its partnership with USAir. In return, the other US carriers are given greater access into the UK market, and especially into London's Heathrow airport.



Ronald Allen: 'We are not immune to the kind of pressures facing this industry'

invaded Kuwait the following year, Delta, like the rest of the industry, went into a tailspin. "Our fuel bill alone doubled," Mr Allen said.

Recession and the impact of the Gulf crisis pushed more US carriers into Chapter 11. "At the peak of the crisis, almost 30 per cent of US traffic was controlled by bankrupt airlines which were not paying their bills: that situation still persists today with about 20 per cent of our market controlled by bankrupt airlines," Mr Allen explained. In the middle of all this came Delta's

But absorbing the Pan Am assets proved more difficult than expected. "You have to accept some difficulties when you are buying assets from a bankrupt company," Mr Allen acknowledged. One example was the old Pan Am terminal at New York's JFK airport. "The problem was that the roof leaked. We had to fix that first before we could upgrade the interior, but by this summer our JFK terminal should be a pretty good show case," he said.

Although the Pan Am route acquisition made Delta the biggest airline serving

## 1992 RESULTS: CONFIRMATION OF THE PRIOR ESTIMATE

At a meeting held on February 8, 1993, the Board of Directors of TOTAL was informed of the estimated results for the Group for the 1992 fiscal year, which show net income after minority interests of FF2.6 billion compared to FF 5.8 billion in 1991, i.e. FF 13.3 per share (US \$ 1.21 per ADS) compared to FF 27.5 (US \$ 2.65 per ADS).

These results are in line with the information released after the meeting of the Board of Directors held on November 5, 1992 and at the Shareholders' Meeting held on December 14, 1992, and may be analysed as follows:

(Billion Francs)	1992	1991	%
Consolidated net income	3.0	5.8	-48
Net income after minority interests	2.8	5.8	-52
Consolidated net income excluding non-recurring items	3.5	6.1	-43
Net income after minority interests excluding non-recurring items	3.3	6.1	-46

Following 1991, a year marked by exceptionally high refining margins throughout the first half by reason of the Gulf War, the net income after minority interests for 1992 must be considered in a context of worldwide economic stagnation. The situation entailed a persistent weakness in refining margins and shipping rates, as well as an erosion of the price of crude oil, notably since the fall. This difficult economic situation is also the reason that certain negative non-recurring items, estimated at FF - 0.5 billion, were taken into account in the Group's results.

In this unfavourable environment for the oil and chemicals industries, the operating income of the various segments amounted to FF 7.2 billion in 1992, compared to FF 10.3 billion in 1991. This 30% decrease demonstrates, setting aside the Group's sensitivity to its refining operations, its new resilience in its Exploration and Production segment and its Chemicals segment. Operating income breaks down by segment as follows:

(Billion Francs)	1992	1991
Exploration and Production	2.9	2.9
Trading and Middle East	0.6	1.0
Refining and Marketing	2.0	4.9
Chemicals	1.7	1.5
TOTAL	7.2	10.3

The operating income of the Exploration and Production segment, which does not include the Middle East, remains stable despite the decrease of 4% in the price of crude oil (\$19.3/b compared to \$20/b in 1991) and of 6% in the exchange rate of the dollar against the franc (FF 5.29 on average compared to FF 5.64 in 1991). This result is due in large part to the continued increase in the production of hydrocarbons, which rose from 312,000 boe/d to 330,000 boe/d, i.e., an increase of 6%, of which

4% was for crude oil (from 148,000 b/d to 154,000 b/d) and 7% for gas (from 895 million cubic feet per day to 954 million cubic feet per day). Estimated reserves for this segment increased 11% (from 1,525 million boe to 1,696 million boe). These figures include a portion of the reserves of the Pecico field in Indonesia, but do not yet take into account TOTAL's interests in the Cusiana oil field in Colombia, the discovery of which was announced in 1992. This improvement is evidence of TOTAL's success in exploration throughout the past several years.

The decrease in results of the Trading and Middle East segment that was observed in the first half was confirmed during the remainder of the year due to the persistence of depressed shipping rates, which impacted the results of marine transportation and, indirectly, the results of trading of products. Middle East oil output suffered a slight decrease to 309,000 b/d compared to 322,000 b/d in 1991, a year during which the volume of production was greater, mainly in the United Arab Emirates.

The Group's global reserves, including the Middle East, increased from 3,615 million boe to 3,948 million boe at the end of 1992.

The results of the Refining and Marketing segment are largely responsible for the decrease in the Group's operating income, by reason of a sharp reduction in gross refining margins, which went from \$4.1/b to \$2.1/b, and the decline of the dollar. However, the progress in marketing activity limited the impact of the decrease in refining margins. The financial impact of the accident at the Raffinerie de La Mede in November 1992 was in the order of FF - 50 million.

In the United States, the Refining and Marketing segment achieved a significant recovery from an unfavourable situation in 1991, which allowed it to reach break-even.

The results of the Chemicals segment, which are improving, confirm that in a difficult economic environment, the specialty chemicals sector of TOTAL succeeded in improving its profitability, due in particular to the efforts undertaken to improve productivity. The improvement is most noticeable in inks and resins where dynamic portfolio management (targeted divestitures and acquisitions) and better organization of the different activities have allowed a significant improvement in the results. Paints and, even more so, Hutchinson have maintained their good profitability.

Sales of all the Group's operating segments recorded a slight decrease from FF 143 billion to FF 137 billion.

Cash flow was FF 10.1 billion compared to FF 13.7 billion in 1991.

The gross capital expenditures in 1992 reached, as in 1991, a level of approximately FF 15 billion. Divestitures slightly exceed FF 2 billion.

Consolidated equity at December 31, 1992 was strengthened, due notably to success in the exercise of the warrants on TOTAL shares, 99.83% of which were exercised, resulting in an increase in capital of FF 0.65 billion.

The net debt to equity ratio should be approximately 35% at the end of 1992.

The results for 1992 should allow the Board of Directors, which will close the books of the company this coming March 30th, to propose to the Shareholders' Meeting a net dividend at FF 7 per share, to which would be added a tax credit of FF 3.50, equal to that which was paid in 1991.

### RENEWAL OF THE MANDATE OF THE CHAIRMAN

The Board of Directors at a meeting held on February 8, 1993, noting that the term of the Chairman, Mr Serge Tchuruk, was due to expire, decided unanimously to renew his mandate as Chairman and Chief Executive Officer of TOTAL.

TOUR TOTAL 24 COURS MICHELET CEDEX 47 92089 PARIS LA DEFENSE FRANCE.



### NOTICE TO THE HOLDERS OF

**KTAS**  
Kjøbenhavns Telefon Aktieselskab  
(Copenhagen Telephone Company, Incorporated)  
DKK 400,000,000 Retractable Bonds due 2003

Notice is hereby given that pursuant to clause (b) of paragraph 1 of the Terms and Conditions of the Bonds, the Bonds shall bear interest for the five-year period commencing March 23, 1993 at a rate which shall be based on the sum (rounded to the nearest whole multiple of one-eighth of one per cent) of: (1) five Copenhagen Business Days' average yield on Danish Government Bonds 9% due on 15 11 1988, ID Code 0891554, computed from the Copenhagen Stock Exchange Official List to be dated March 13, 16, 17, 18 and 19, and (2) 0.10 per cent per annum.

The new interest rate resulting from the above-mentioned formula will be published in accordance with the Terms and Conditions of the Bonds on March 23, 1993.

Notice is further given that, pursuant to paragraph 1 of the Terms and Conditions of the Bonds, the holder of any of the above Bonds will have the option to have such Bonds redeemed by KTAS at par on March 23, 1993 (the Interest Option Date).

To exercise such option, the holder must present such Bonds to be redeemed (together with all coupons appertaining thereto) which mature after such Interest Option Date) with the notice of which mature after such Interest Option Date) to the Fiscal and Principal Paying Agent at the address mentioned in the Bonds, for endorsement, not more than 30 nor less than 15 days prior to the Interest Option Date.

Furthermore, notice is hereby given that the payment of principal and interest on the Bonds is unconditionally guaranteed by the Government of the Kingdom of Denmark.

Luxembourg, February 12, 1993

The Fiscal and Principal Paying Agent  
**KSL Kreditbank Luxembourg**

### Notice of Redemption

**MFC**  
Mortgage Funding Corporation No.5 PLC  
(Incorporated in England and Wales with limited liability under registered number 02079671)

£110,000,000 Class A1 Mortgage Backed Floating Rate Notes Due November 2035

NOTICE IS HEREBY GIVEN to the holders of the Class A1 Notes, that the Issuer has determined in accordance with the Redemption provisions set out in the Terms and Conditions, the Class A1 Notes in the amount of £5,500,000 will be redeemed on the next Interest Payment Date, 26th February, 1993 (the "Redemption Date"). The Class A1 Notes will be redeemed on a pro rata basis and the Principal Payment per Class A1 Note will be £5,000. The Class A1 Notes will be made in accordance with the operating procedures of Euroclear and Cede.

Bankers Trust Company, London Agent Bank  
12th February, 1993



## INTERNATIONAL COMPANIES AND FINANCE

# GM Europe net profit declines 30% to \$1.2bn

By Kevin Done, Motor Industry Correspondent

THE net profit of the European operations of General Motors, the world's largest vehicle maker, fell last year by 30.4 per cent to \$1.28bn from \$1.76bn in 1991 and a record \$1.92bn in 1990.

Despite the decline, GM Europe - Opel in continental Europe and Vauxhall in the UK - remained one of the most profitable of the big six volume car makers in 1992. Its performance in Europe was in sharp contrast to its rival Ford, which disclosed earlier this week a record \$1.3bn loss on its European automotive operations, including Jaguar.

GM's European profits provided a partial cushion for the continuing heavy losses suffered by the group's North American automotive operations. The net profit of \$1.2bn in Europe was also achieved after taking account of GM's 50 per cent share of the continuing losses of Saab Automobile, where the US group has management control. The Swedish carmaker is expected to announce later this month a loss of more than \$1.2bn (\$270m) for 1992.

GM also suffered continuing losses in Europe last year as Group Lotus, the UK specialist

sports car maker and automotive engineering consultancy, and it incurred losses through the restructuring of the European subsidiary of GM Hughes Electronics.

Within its core Opel/Vauxhall car and light commercial vehicle operations GM added significantly to its fixed costs in 1992 with the opening of several new plants, including a DM1bn (\$625m) car assembly plant at Eisenach in eastern Germany and a £190m (\$266m) V6 engine plant at Ellesmere Port in the UK.

The 1992 financial performance was also burdened by part of the start-up costs for the new generation Opel/Vauxhall Corsa small car at GM's plant at Zaragoza, Spain, as well as by a deterioration in the mix of its product sales with a shift to a larger share of small cars in southern Europe and lower sales in Germany.

The group's Opel/Vauxhall operations achieved a record sales volume of 1.61m cars in west Europe last year, up from 1.55m in 1991, with a best-ever market share of 12 per cent, an increase from 11.6 per cent in 1991. Car production rose by 5.7 per cent to 1,700,053 from 1,607,620 a year earlier.

GM's turnover in Europe rose by 13.7 per cent to \$28.8bn from \$25.4bn a year earlier.

# Banesto quells Spanish banking's ridicule

Peter Bruce and Tom Burns on a forthcoming rights issue which could net Pta53bn

FOR YEARS now it has been fashionable among the chattering coterie of Madrid's financial community to muse loudly and often, on the imminent demise of both Banesto, Spain's third largest bank, and its mercurial chairman, Mr Mario Conde.

That will probably change with Wednesday's announcement that J.P. Morgan, the US investment bank, is throwing its weight behind a rights issue being prepared by Banesto by assembling a group of subscribers who could end up holding 10 per cent of the bank. Yesterday the gallery was silent.

The arrangement is a sweet one for Banesto. The issue will raise, if it is taken up, Pta53bn (\$453m) in one of the biggest ever capital increases in Spain.

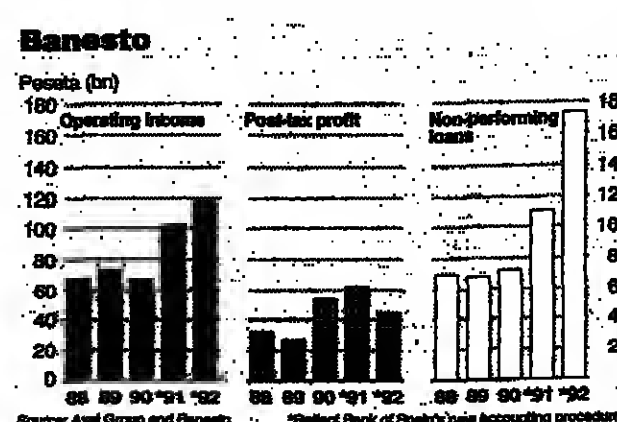
Normally, this news would have been greeted as just another effort by Banesto to claw money from its shareholders. But J.P. Morgan's presence is a startling vote of confidence in the bank. Not least because it has chosen Banesto as the first investment for the \$1bn Corsair investment fund. Since then, it has been forced to sell industrial assets off piecemeal. His attention has been diverted from core banking and many analysts have wondered

The US bank researched Banesto for seven months before committing itself to leading a group of investors who will guarantee to spend \$200m on the rights issue. Mr Conde is himself a member of the group and could more than double his personal stake in Banesto from 2 per cent to 4.5 per cent.

The psychology of this is everything. When Mr Conde helped rescue Banesto from takeover in 1987, it was an entangled mess of rival family industrial and banking interests, living off a cosy interest rate arrangement between Spain's banks and regular asset disposals every time banking profits dipped.

In undoing that and separating Banesto's banking and industrial businesses, Mr Conde made enemies and gathered critics. Many of his grand plans failed - in late 1990 he was forced to call off a flog of the Banesto industrial group after the Gulf crisis took the wind out of the markets.

That could have raised more than Pta53bn at the time. Since then, he has been forced to sell industrial assets off piecemeal. His attention has been diverted from core banking and many analysts have wondered



whether, as an industrialist by training, he is fit to run a bank.

But J.P. Morgan has found something it likes. On fundamentals, Banesto is not Spain's best bank. It just meets the country's capital adequacy ratios; last year it recorded the sharpest bad debt growth among big banks, and it reported a 23 per cent fall in profits. Moreover, it is struggling to meet Bank of Spain demands that it reduce its exposure in industry to 40 per cent of equity and, later, to 20 per cent.

At the moment, Banesto's exposure in industry is some 52

per cent of equity and it was always going to have to correct this by either withdrawing from industry or increasing capital. It is now doing both. Banesto officials say the group will continue to shed industrial assets - a policy J.P. Morgan will probably have insisted on for its Corsair investors.

And on closer scrutiny, Banesto's bad debts turn out to be covered better than the case at any big Spanish bank, apart from Banco Santander. Moreover, the group's profits fall in the core banking business. And even critics acknowledge that Banesto has the best elec-

# Poor tanker market sinks Bergesen's earnings

By Karen Fosell in Oslo

BERGEBSEN, Norway's biggest shipping group, yesterday revealed a sharp decline in 1992 net profit to Nkr25m (\$3.5m) from Nkr716m the previous year, caused by significant weakness in the world crude oil tanker market and a write-down of the group's share portfolio.

Group operating revenue sank to Nkr2.64bn last year, from Nkr3.12bn in 1991. Operating profit plunged to Nkr203m, from Nkr657m. This was due to a Nkr639m fall to Nkr173m in operating profit from shipping operations.

The company has proposed an unchanged dividend payment of Nkr1 per share. Bergesen's tanker division fell to an operating loss of Nkr218m, from a Nkr44m profit in 1991.

It was pushed into the red by a steep decline in day rates, which were almost halved to \$15,200 from \$30,300 in 1991.

Bergesen's weak performance was exacerbated by a Nkr145m write-down on the group's share portfolio and a Nkr17m unrealised loss on foreign currency.

Mr Morten Bergesen, chief executive, explained that, although 25 of the world's tankers had been scrapped last year, 26 newly-built units had entered the market.

He forecast the scrapping of more oil tankers this year, but he warned that balance in the tanker market may not be restored for another two years.

Lower profits could also be expected in 1993 from liquid petroleum gas (LPG) carrier operations, he added.

Bergesen's fleet suffered a sharp decline in value in 1992, measured in dollars, with tankers falling by 40 per cent, LPG carriers by 20 per cent and dry bulk carriers by 28 per cent.

The group experienced a Nkr184m net financial loss in 1992, compared with financial income of Nkr46m a year earlier.

# CS Holding takes 19.2% stake in Swiss Volksbank

By Ian Rodger in Zurich

CS HOLDING, the parent company of Credit Suisse, has acquired 19.2 per cent of the equity of Swiss Volksbank, for which CS made a SF1.6bn (\$1.04bn) agreed takeover bid.

CS said in its offer circular yesterday the shares were acquired after its bid was announced on January 6. The acceptance period began yesterday and ends on March 15.

The basis of the offer is three CS registered shares for every 10 Volksbank registered

shares. It is conditional on Volksbank winning approval at an EGM on March 11 to convert itself from a co-operative into a joint stock company and then converting each of its co-operative shares into 10 registered shares.

The offer will then be conditional on receiving acceptances from holders of at least 70 per cent of the Volksbank shares by March 15.

If the offer is successful, CS said it would seek to delist Volksbank securities from Swiss stock exchanges.

# Preussag advances to DM425m

By David Waller in Frankfurt

PRE-TAX profits at Preussag, the German steel, trading, energy and metals group, rose by DM15m to DM425m (\$257m) in the year to the end of September. This was despite a 4 per cent drop in turnover from DM29.7bn to DM28.5bn.

Mr Ernst Pieper, chief executive, said that, in the first quarter of the current year, pre-tax profits were less than the DM130m in the comparable period of the previous year.

He said that the current year would be difficult for the group in the light of the general economic downturn. But he was confident that the group would "come through" relatively well because of its mixture of businesses. Some analysts' predictions of a 10 per cent drop in

profits for the year were speculation, he added.

"Catastrophic" conditions in the steel industry and a difficult metals market would be balanced by a strong performance from other parts of the group, including energy, transport, ship-building and plant construction, Mr Pieper said.

As a measure of his confidence, he pointed to a 4 per cent increase in the order intake to DM6.2bn in the period from October to December 1992. Sales dropped 5 per cent to DM6bn, mainly because of falling steel and base metals prices.

As previously announced, the dividend for 1991-92 is to be held at DM10 per share, the same level as in the previous year. Mr Pieper, 64, appointed

chief executive of Preussag in 1990 following the company's acquisition of the Salzgitter steel and engineering group from the west German government, will step down as chief executive at the beginning of next year. His successor is to be Mr Michael Frenzel, 45, who was appointed deputy chief executive in March last year.

Mr Frenzel, the engineering and truck group, said yesterday that orders improved by 25 per cent in the second quarter of the current financial year, compared to the first quarter, when they dropped sharply. In the six months to December, total order intake was 14 per cent down at DM7.4bn. Sales for the six months were DM8.2bn, the same level as in the first half of the previous year.

# Compagnie Bancaire may cut back operations abroad

By Alice Rawsthorn in Paris

COMPAGNIE Bancaire, the specialised financial business owned by Paribas, the French banking group, has warned that it may have to rationalise its international operations following a steep fall in net profits to FF369m (\$66m) last year, from FF579m in 1991.

The company, which has extensive interests in property finance in the UK, has been badly affected by the crisis in the UK property sector. Its UK interests plunged further into the red last year with a net loss of FF81m, compared with FF88m in the previous year.

Compagnie Bancaire fared better in France, where net profits for 1992 rose by 11 per

cent to FF1.34bn, mainly due to a strong performance from its credit and life insurance businesses. However, the company did suffer during the year from the downturn in the French property market.

Mr Michel François-Henrot, chief executive, said that Compagnie Bancaire planned to scrutinise all its foreign activities and would sell or close all those that were not performing satisfactorily.

"This will be a year of truth for the international side of our business," he said. "The only companies to survive by the end of the year will be those that have proved they have the financial viability and strength to get through a recession."

# The United Mexican States Floating Rate

Notes Due 2000

The applicable rate of interest for the period February 12, 1993, through and including August 11, 1993, to be paid on August 12, 1993, a period of 181 days, is 4.1875%. This rate is 13/16% above the offered rate for six-month deposits in U.S. Dollars which appeared on the display designated as the British Bankers Association's Interest Settlement Rate (3.375%) as quoted on the Dow Jones/Telereate Monitor as Telerate Screen No. 3750 as at 11:00 A.M. (London Time) on February 10, 1993.

The above rate equates to an interest payment of USD 21.0538 per USD 1,000.00 in principal amount of Notes.



Banco Nacional de Mexico, NY

February 10, 1993

EUROPEAN DEPOSITARY RECEIPTS (EDR) BEARER DEPOSITARY RECEIPTS (BDR) Issued by Morgan Guaranty Trust Company of New York Brussels Office					
Dividend	Payment date	Coupon number	Gross amount	Net amount (-15% tax)	Net amount (-20% tax)
Aashi Chemical Industry BDR	24/12/92	39	\$0.5942	\$0.5051	\$0.4754
	(1,2,3,6)				
Honda Motor Co. EDR	17/12/92	35	\$0.5658	\$0.4809	\$0.4526
	(1,2,3)				
Mitsubishi Electric EDR	24/12/92	44	\$4.0320	\$3.4272	\$3.2256
	(1,2,3,4,5,7)				
Paying agents:					
Morgan Guaranty Trust Company of New York					
• (1) New York, 30 West Broadway					
• (2) Brussels, 35 Avenue des Arts, 1040 Brussels					
• (3) London, 60 Victoria Embankment					
• (4) Paris, 14 Place Vendôme					
• (5) Frankfurt, 46 Mainzer Landstrasse					
(6) Banque Générale du Luxembourg, Rue d'Aldringen 14, Luxembourg					
(7) Credit Industriel d'Alsace et de Lorraine, 103 Grand Rue, Luxembourg					
EDR and BDR Holders who wish to be entitled to receive payment of dividend under deduction of 15% Japanese withholding tax must provide the depositary with a declaration of residence by June 1st 1993.					

# FLANDERS

The FT proposes to publish this survey on March 30 1993. For a full editorial synopsis and advertisement details, please contact:

Meyrick Symmonds  
Financial Times  
(Benelux) Ltd  
Rue Ducale 39,  
Hortsmansstraat  
B-1000 Brussels, Belgium  
Tel: (02) 523 2816  
Fax: (02) 511 0472  
or  
Rachel Hart  
Tel: 071-873 3225  
or write to her at:  
Number One,  
Southwark Bridge,  
London SE1 9HL.

# FT SURVEYS

# JAPANESE FINANCIAL MARKETS

The FT proposes to publish this survey on March 30 1993. Japanese markets like their European counterparts have been hit by the current world recession but Japan remains a major economy with enormous potential. In a special survey, the Financial Times reports on the latest developments affecting Japanese financial markets - a vital perspective for anyone wanting to do business in Japan.

For further information, please call  
Taisuke Chino  
Tel: 071-873 3260  
Fax: 071-873 3595

# FT SURVEYS

# NOTICE TO THE HOLDERS OF WARRANTS

KEYYO CO., LTD.  
(the "Company")  
U.S. \$100,000,000

4 per cent. Guaranteed Notes 1995 with Warrants  
(the "Warrants")  
to subscribe for shares of common stock of the Company  
(the "Shares")

Pursuant to Clauses 3 and 4 of the Instrument dated 18th July, 1991, the following notice is hereby given.  
At the meeting of the Board of Directors of the Company held on 1st February, 1993, a resolution was adopted for the stock split, particulars of which are given below. Consequently, the Subscription Price of the Warrants shall be adjusted, as specifically provided in paragraph 2, below.

1. A stock split (a free share distribution) will be made on 15th April, 1993 to shareholders of record as of the end of 28th February, 1993 (Japan time), at a ratio of 1.2 Share for each Share held, thereby entitling each of those shareholders of record to receive one additional share for each five shares held by such shareholder on such record date. The dividends for these new Shares will accrue as from 1st March, 1993.

2. Pursuant to Clause 3(i) of the Instrument, the Subscription Price will be adjusted from Yen 3,227.50 to Yen 2,699.60 per Share. The new Subscription Price will become effective on 1st March, 1993 (Japan time).

KEYYO CO., LTD.  
By: The Mitsubishi Bank, Limited  
London Branch  
as the Principal Paying Agent

12th February, 1993

# TOWN & COUNTRY BUILDING SOCIETY

Issue of up to  
£125,000,000

Floating Rate Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 10th May, 1993 has been fixed at 6.35% per annum. The interest accruing for such three month period will be £78.29 per £100,000 Bearer Note, and £1,565.75 per £100,000 Bearer Note, on 10th May, 1993 against presentation of Coupon No. 14.



London Branch  
Agent Bank

9th February, 1993

US \$100,000,000  
Continental Cablevision, Inc.  
Senior Subordinated Floating Rate Debentures due 2004

In accordance with the provisions of the Debentures, notice is hereby given that for the interest period February 12, 1993 to May 12, 1993 the Debentures will carry an interest rate of 6.04% per annum. Interest payable on the relevant interest payment date May 12, 1993 will amount to US \$1,645.14 per US \$100,000 Debenture.

Agent Bank:  
Banque Paribas Luxembourg  
Société Anonyme

ALLIANCE & LEICESTER  
Alliance & Leicester Building Society  
£50,000,000  
Subordinated Floating Rate Notes due 2004

For the three months 11th February, 1993 to 11th May, 1993, the Notes will carry an interest rate of 6.605% per annum with an interest amount of £161.05 per £10,000 and £1,610.53 per £100,000 Note, payable on 11th May, 1993.

Listed on the Luxembourg Stock Exchange.  
Bankers Trust Company, London Agent Bank

U.S.\$700,000,000



# SUMITOMO BANK INTERNATIONAL FINANCE N.V.

Guaranteed Floating Rate Notes due 2000

Guaranteed on a Subordinated Basis as to Payment of Principal and Interest by The Sumitomo Bank, Limited

In accordance with the Description of Notes and Guarantee, notice is hereby given that the rate of interest for the three months from 12th February, 1993 to 12th May, 1993 has been fixed at 3.5 per cent per annum and that the coupon amount payable on Coupon No. 11 on 12th May, 1993 will be US\$86.53 per note of US\$100,000, US\$865.28 per note of US\$100,000 and US\$8,652.78 per note of US\$1,000,000.



The Sumitomo Bank, Limited

# ASSET RISK MANAGEMENT LIMITED

A.C.N. 003 337 657

# Leading Operating Lease Business For Sale

Due to a change of strategic direction, State Bank of South Australia is seeking expressions of interest from substantial parties for the acquisition of Asset Risk Management Limited (ARM).

ARM is a leading Australian operating lease group with gross assets of approximately US\$100m.

Further details can be obtained by contacting

Mr Andrew Bruce, State Bank of South Australia.

Telephone: 618 239 5938. Facsimile: 618 239 5985.

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Unaudited NAV per share as at 31st January, 1993  
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# THE BUSINESS SECTION

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or write to him at The Financial Times, One Southwark Bridge, London SE1 9HL.



## INTERNATIONAL COMPANIES &amp; FINANCE

# Western Mining halves payout as profits tumble

By Bruce Jacques in Sydney

WESTERN Mining, the Australian metals and commodities producer, has come through another six months marred by low prices and asset write-downs with a halved dividend and reduced profits.

The company is cutting its interim dividend from 6 cents to 3 cents a share following a 41.3 per cent reduction in net equity-accounted earnings to A\$63m (US\$35.8m) for the six months ended December. Total revenue improved 2.6 per cent to A\$820.4m.

The result was before an abnormal loss of A\$26.2m, mainly reflecting amortisation and asset write-offs. This compares with an abnormal loss of A\$20m when the company wrote down the value of its mining properties, mainly in the gold mines.

The biggest blow to the group, headed by chief executive Sir Arvi Parbo, came from low world nickel prices which cut nickel earnings from A\$19.5m to A\$7.9m. Average nickel prices received fell 8.8 per cent in the year, with a 6.8 per cent cut in output contributing to higher unit costs.

Oil earnings fell to A\$27.1m from A\$31.2m and the equity contribution from the Alcoa aluminium group fell to A\$56.5m from A\$77.8m.

Gold earnings remained static at just over A\$40m, but the Olympic Dam copper-uranium project pushed ahead



Sir Arvi Parbo: group hit by low world nickel prices

strongly, lifting earnings to A\$27.4m from A\$10.3m.

Despite the tight trading conditions, the company lifted capital expenditure to A\$194m from A\$170m, mainly on expansion of nickel capacity.

Western Mining is to proceed with development of the Mt Keith nickel deposit in Western Australia at a likely cost of about A\$350m and had also reached agreement in principle for the sale of the Chibougamau gold mine in Canada.

The result followed a tax credit of A\$11.3m (against a A\$24.7m charge) and depreciation of A\$174.5m, against A\$135.6m. Exploration expenditure written off fell to A\$4.1m from A\$45.4m and the company's interest expense fell to A\$16.1m from A\$31m.

## Rand Merchant Bank rises

By Philip Gawth in Johannesburg

RAND Merchant Bank, the financial services group recently involved in a merger with the insurer Momentum Life, reported increased earnings for the six months to end-December. It plans to increase its dividend.

Net income after tax and contingency reserve transfers rose to R21.5m (\$6.9m) from R12m. Earnings per share rose

by 27 per cent to 30 cents. The dividend is increasing to 10.5 cents from 8.5 cents a share. Momentum Life, the insurer, reported an increase in earnings per share of 23 per cent.

Momentum Life increased premium income by 48 per cent to R420.2m, but this mostly reflected a number of large transactions in single premium income which are unlikely to be repeated. All divisions of Rand Merchant Bank performed satisfactorily.

# IBM's mainframes enter the microprocessor age

Big Blue is developing two new lines which will be more price competitive, writes Louise Kehoe

International Business Machines plans to bring its traditional mainframe computers into the microprocessor age, significantly reducing their cost and making them more price competitive with "client-server" networks of desktop computers.

The latest generation of "micro-mainframes" represents a central element of IBM's strategy to stem the erosion of its traditional mainframe computer market, which is seen by many as the primary cause of the company's financial woes. For 1992 IBM reported net losses of \$4.9bn.

As it struggles to regain the confidence of customers and investors, IBM this week revealed it is developing two new lines of mainframe-power computers built using multiple microprocessor chips similar to those that power desktop com-

puters. IBM's "classic" mainframe computers will also be re-engineered to use microprocessor chips.

"Our aim is to take a lot of the cost out of the systems, by replacing expensive processing units used in today's mainframe computers with integrated circuit chips," said Mr Nicholas Donofrio, general manager of IBM's Enterprise Systems division.

One of the new lines will be based on reduced instruction set computing (Risc) microprocessor chips that are currently used in IBM's RS/6000 workstations.

By using several of these chips working in parallel, IBM plans to create mainframe-class computers.

The first of these "power parallel" computers will be delivered within the next few months, Mr Donofrio said. It

will be aimed at technical and scientific applications. However, in about 12 months, IBM will offer similar computers designed for commercial applications, he said.

By gradually increasing the number of microprocessors in these computers, IBM will build a broad product line of computers. Like the company's workstation products, these will run the popular Unix operating system.

The second product line will be based on a microprocessor version of IBM's current S/390 mainframe processor, also using parallel processing techniques. Aimed at IBM's current mainframe customers it will be designed to run existing mainframe applications programs.

In addition, IBM is planning microprocessor-based versions

of its "classic" mainframe designs.

"During the second half of the 1990s, we plan to have an entire mainframe family based on microprocessor technology," Mr Donofrio said. The planned systems will significantly reduce the cost of mainframe computing, he said.

In the meantime, IBM is attempting to dispel the impression that its traditional mainframe computers are a dying breed by stressing the role that mainframe computers can play in new client-server networks as "superservers".

This is hardly a new message. IBM has been trying to redefine the role of the mainframe more favourably for over two years.

However, the company is now planning "an intense campaign, bringing in real users and software developers" to

talk about client-server applications of mainframe computers, Mr Donofrio said.

Also getting new emphasis are the "open systems" features of IBM mainframes. IBM will bring its proprietary software into line with existing and emerging standards, the company promises, to make it possible to link IBM mainframes to networks of computers from other manufacturers.

The most concrete demonstration of IBM's determination to keep its mainframe sales alive is that customers worldwide will now be able to set the price they are prepared to pay for the latest versions of IBM's mainframes, including the models and upgrades announced this week.

IBM has thrown out the price list that has previously established the starting point for negotiation of selling prices

for its mainframes. The move brings IBM's US pricing policy into line with the approach it has taken in the UK for the past three years.

Competitors see the new approach as recognition of existing market conditions in which "it is probably several years since anybody paid IBM's list price, every prospective customer knows that", according to Hitachi Data Systems, one of IBM's competitors in the mainframe market. IBM hints it is going to become more aggressive in mainframe pricing. "We are not going to lose market share," says Mr Donofrio.

However, the move could backfire. With no list prices, customers will have to get competing bids to ensure that they are getting a fair price, Hitachi suggests.

# National Semi tries to pull out of a death spiral

The US semiconductor company is taking steps to end its decline and make a come-back, writes Alan Cane

have halted. It is now hovering around the \$12 mark.

Mr Amelio, 49, is a semiconductor industry veteran who began his career in Bell Laboratories and has since served as general manager of Fairchild Camera's microprocessor division and president of Rockwell Communications Systems.

His manufacturing background proved valuable in diagnosing National Semiconductor's sickness - too many plants making the wrong kind of semiconductors. He explains that in the 1970s, the company's heyday, semiconductors were building blocks, sold in billions to be incorporated into bigger systems. Manufacturers could sell all they could make.

In the 1980s, however, the market changed irrevocably. According to Mr Amelio, National failed to appreciate the transformation. Chips became so complex they resembled complete sub-systems rather than components. The

new trick was to build a relationship with the customer so that the use to which the semiconductor was to be put was fully appreciated and the customer's requirements understood.

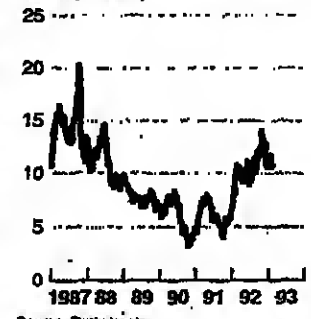
National did none of those things, and its market share began to slip. "Unchecked," Mr Amelio observes of the spiral, "you crash and burn."

His plan to avoid that involves three measures: First, he is restructuring the manufacturing base. Three factories have already been sold or closed, and only seven will remain of the 11 currently operating. Those seven, Mr Amelio estimates, will have enough capacity to support a \$5bn turnover company.

Second, it is abandoning its role as a broad-based supplier in favour of concentration on three areas: communication products, analogue devices and microprocessors for personal computer peripherals.

National Semiconductor

Share price (\$)



Source: Dataquest

Third, control of the company is being split along product and market lines; separate groups have been established for commodity products and higher value sub-systems.

The restructuring charge for plant and people in 1991 was \$150m. The headcount by the end of the year will be under 24,000, a fall of more than 8,000 in two years. Productivity is rising accordingly. Taking productivity as sales divided by total labour costs, Mr Amelio reckons the best semiconductor houses such as Intel achieve over 3.0. National is presently at 2.7, the aim being

to reach 3.0 some time next year. Spending on research and development is down, however, to \$192m last year, about 11 per cent of sales, from \$235m four years ago. Mr Amelio claims this is the right amount, pointing out he has shifted research and development priorities drastically.

Investment in networking has risen from 9 per cent of the total to 17 per cent. In analogue devices it has gone from 19 per cent to 26 per cent. R&D on commodity products, by contrast, has been cut from 21 per cent to just 5 per cent.

The question remains if National can make an effective come-back without spending the large sums in plant and research its larger competitors are committing. Intel, for example, is spending at a rate of almost \$1bn a year on plant and equipment. National's capital spending last year came to \$180m.

Mr Amelio's optimism is unquenchable, however. "The explosive growth in the 1980s was in personal computers. In the 1990s it will be in communications. We are going to do our damndest to be at the head of that parade."

## Additional Interest Statement The Walt Disney Company

U.S. \$400,000,000

Senior Participating Notes Due 1999

- Quarterly Statement Dated: February 15, 1993  
for the period from October 20 to December 31, 1992 (the "Period")
- Semiannual Statement  
for the period from February 28, 1993 to August 31, 1993  
(the "Period")
- Annual Statement for the period from September 1, 1993 to August 31, 1994 (the "Period")

Pursuant to the terms of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to Holders of such Notes of The Walt Disney Company (the "Company"). Capitalized terms used in this Statement have the meanings ascribed to them in the Notes and the Fiscal Agency Agreement, dated as of October 1, 1992, between the Company and Citibank, N.A., as Fiscal Agent, Principal Paying Agent, Transfer Agent and Registrar. The information contained in this Statement is given for both the Period covered by this Statement (indicated by the box checked above) and for the period from October 20, 1992, the date of issuance of the Notes (the "Issue Date"), through the end of the Period covered by this Statement.

This Statement is accompanied by a descriptive report discussing the activity and status of Eligible Films. Copies of such descriptive report can be obtained by Holders of the Notes upon request to the Fiscal Agent at the following address and telephone number: Citibank, N.A., 120 Wall Street, New York, New York 10043, Attention: Corporate Trust Department; telephone (212) 412-6214. If this Statement is an Annual Statement, it is also accompanied by a supplemental audit report of the Company's independent public accountants. In this Statement, references to "\$" are to United States dollars.

- Names of Eligible Films included in the Portfolio:
  - For the Period: A MUPPET CHRISTMAS CAROL (tentatively included, subject to final release schedule of films subject to the Company's agreement with Touchwood Pacific Partners I, L.P.)
  - From the Issue Date through end of Period: A MUPPET CHRISTMAS CAROL
- Names of short subjects to which any portion of Total Revenues has been allocated:
  - For the Period: N/A
  - From the Issue Date through end of Period: N/A
- Names of the Eligible Films together with which the above short subjects were released:
  - For the Period: N/A
  - From the Issue Date through end of Period: N/A

	For the Period	From the Issue Date through end of Period
4. Contingent interest	\$ 0	\$ 0
5. Contingent interest paid per \$1,000 principal amount of Notes	\$ 0	\$ 0
6. Short Subject Revenue	\$ 0	\$ 0
7. Supplemental Interest	\$ 0	\$ 0
8. Supplemental interest paid per \$1,000 principal amount of Notes	\$ 0	\$ 0
9. Provisional Interest	\$ 0	\$ 0
10. Provisional interest paid per \$1,000 principal amount of Notes	\$ 0	\$ 0

The Walt Disney Company

By /s/ Michael J. Montgomery  
Vice President - Treasurer

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2, boulevard Royal, Luxembourg  
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**DIVIDEND ANNOUNCEMENT**

TEMPLETON GLOBAL STRATEGY SICAV will pay on February 12, 1993 the following dividends against presentation of the respective coupons:

- Templeton Global Income Fund:	USD 0.120	coupon no 5
- Templeton DM Global Bond Fund:	DM 0.120	coupon no 5
- Templeton Emerging Markets		
- Fixed Income Fund:	USD 0.160	coupon no 4
- Templeton Haven Fund:	CHF 0.120	coupon no 3
- Templeton US Government Fund:	USD 0.050	coupon no 15

Paying Agent in Luxembourg:  
Banque Internationale à Luxembourg  
2, boulevard Royal  
Luxembourg

The funds are traded ex-dividend as from February 5, 1993.  
For any queries, shareholders are invited to contact Templeton Investment Management Limited - Edinburgh. Tel: 031-228 4506.

The Board of Directors  
Luxembourg

Correction Notice  
**£150,000,000**  
**Bristol & West Building Society**  
Floating Rate Notes due 1994  
For the three month interest period February 9, 1993 to May 10, 1993, the rate has been determined at 6.9125%. The interest payable on the relevant interest date May 10, 1993 will be £155.65 per £100,000 and £1,556.51 per £100,000 in interest term.

By: The Chase Manhattan Bank, N.A.  
London, Agent Bank  
February 12, 1993

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**FT FINANCIAL TIMES CONFERENCES**



## Ireland's DM1.5bn paper attracts retail investors

Long-dated gilts fell half a point, while short-dated paper lost a quarter point yesterday. Dealers said market sentiment was not helped by comments from Mr Eddie George, deputy governor of the Bank of England, who warned against

The bond market started on a strong note, gaining about three-quarters of a point, but then tumbled as the rumours circulated, although they were later denied. Mr Claudio Martelli, the justice minister, was

narrow range. The Liffe hundred futures contract opened at 93.31 and traded between 93.28-93.48 before ending at around 93.42. Spanish government bonds ended little changed, but dealers said attention would be

was closed for National Foundation Day, bond prices climbed in London trading with the yield on the benchmark No 145 JGB moving from 4.235 per cent to end at around 4.215 per cent.

■ US Treasury prices firmed at the short and intermediate end yesterday morning, but longer-dated were down ahead of the auction of 30-year securities.

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8	All stocks (14)	170.82	+0.14	109.41	0.15	0.82	14	Inflation rate 10% Up to 5 yrs. Over 5 yrs.	1.45 3.45	1.46 3.46	1.17 3.17	
9	Debs & Loans (41)	125.53	-0.02	125.56	3.25	0.26	15	Debs & Loans	5 yrs..... 15 yrs..... 25 yrs.....	0.70 9.67 9.91	0.71 9.67 9.90	10.84 10.84 10.45

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Index-Linked				Index-Linked				
6 Up 10 years (2)	264.31	-0.05	184.40	1.83	Up 10 Yrs.	2.22	2.19	
6 All stocks (12)	278.09	-0.16	169.81	0.75	Up 5 Yrs.	3.63	3.64	
6 All stocks (14)	170.82	-0.14	170.59	0.64	Up 3 Yrs.	1.93	1.94	
				0.74	Up 1 Yr.	3.45	3.46	
9 Debt & Loans (61)	125.53	-0.02	125.56	3.25	0.26	15 Debt & Loans	0.71	0.84
						5 years	0.67	0.70
						10 years	0.91	0.92
						25 years	0.91	0.90



## BP faces \$630m charge to end Alaskan dispute

By Deborah Hargreaves

BRITISH Petroleum's US subsidiary is faced with a tax charge of \$630m (\$417m) to end a dispute with the state of Alaska.

The charge reflects a wrangle between the company and the Alaskan authorities which dates back to 1982 over the way the state taxes non-US corporations doing business there.

The company has said it will pay the charge by June 30.

Mr Steve Ahearne, finance director, said that BP had made provisions to cover the tax payment and that it would have no backdated effect on last year's financial results which were announced yesterday.

He also said it would have no effect on the company's commitment to pay down debt at the rate of \$1bn a year.

BP yesterday reported a loss for 1992 but pointed out that its fourth quarter replacement cost profit of \$158m showed an improvement on \$122m in the third quarter and \$72m in the same period of 1991.

Replacement cost profit strips out the effects of oil stock losses and gains.

Within the figures, there were bright spots such as a 30

per cent increase in profits from the exploration and production division in the fourth quarter when compared with the third quarter.

The business reported a profit of \$215m for the final quarter compared with \$396m in the third quarter and \$427m in the same period of 1991.

The improvement was largely a result of the stronger dollar since oil prices are quoted in dollars.

For the full year the exploration business made a profit of \$1.68bn (\$1.7bn) on a replacement cost basis.

Mr Ahearne stressed that BP has cut its costs and improved its operating efficiencies in exploration to report average income per barrel produced of \$3.40 compared with Exxon, the industry leader, which makes \$3.50 a barrel.

BP said it will book an extra 450m barrels to its oil reserve figures this year. Oil output fell last year to 1.29m barrels a day from 1.35m b/d in 1991.

Gas production slipped from 1.26bn to 1.1bn cu ft a day.

The refining and marketing division also improved its income in the final quarter in spite of difficult market conditions.

The division reported profits

of \$117m for the fourth quarter, compared with \$76m. Profits for the year, however, declined to \$304m (\$779m).

Mr David Simon, chief executive, reported "green shoots" in BP's US marketing operations. But Mr Russell Seal, director of refining and marketing, said that European refining margins were "still giving a poor return" and that there were short-term pressures in the market because of overcapacity in some unsophisticated refineries.

The chemicals business reported a fourth quarter loss of \$22m which was lower than the corresponding \$34m, but the business was showing few signs of recovery.

Mr Simon said it was a "hard slog" in chemicals and that the company would be looking to make several disposals this year. The division incurred a deficit of \$24m for the full year, against a \$32m profit.

Profits at the nutrition division were \$20m in the fourth quarter, compared with \$11m in the previous year. For the full year, profits increased to \$73m (\$38m).

BP is currently in negotiations to sell part of this business to Sarah Lee, the US consumer foods group.

## French affair that ended in radio silence

Crown Communications was enthusiastic about its investment in the RFM network, but the move eventually led to its demise. Raymond Snoddy reports

NOBODY REALISED it at the time, but the high point for Crown Communications and Mr Christopher Chataway, its chairman, came early in 1989.

On February 6 Crown came top of the Financial Times Leaders and Laggards charts for 1988 with a rise in its share price for the year of no less than 409 per cent.

In an 18-month period the shares had gone from 40p to a peak of £74p and Crown made pre-tax profits of £8.25m in the 12 months to September 1989.

A few weeks later Mr Chataway, a former Conservative minister, enthused about the opportunities in France as Crown bought into RFM, an emerging French commercial radio network.

It was the beginning of the end for Crown, darling of the Unlisted Securities Market, owner of LBC, the London talk station and a company with stakes in more than a dozen other UK radio stations and a rapidly expanding television business.

"A great mistake was made in France and in the end that proved fatal," says Mr Chataway, talking in detail for the first time of the nightmare which led to Crown's receivership last month with debts of £16m.

Mr Chataway, who is also chairman of the Civil Aviation Authority, adds: "It was France that brought the company down. The original investment was a bad one."

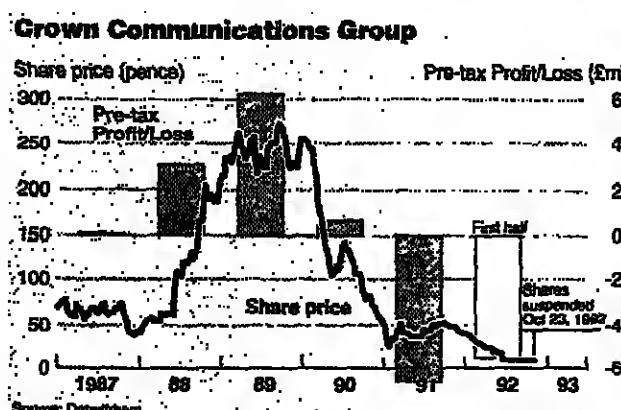
He happily admits that both he and Mr David Haynes, chief executive, were enthusiastic for the venture at the time.

The Crown chairman believes that they got 90 per cent of the analysis right. It was then or never for an outside investor.

Networks were beginning to emerge from the chaos of French commercial radio with its thousands of competing stations. There was serious money to be made.

In fact there were disastrous flaws in the analysis, which Mr Chataway readily admits.

"We weren't equipped to deal with the French broadcasting environment. Despite thou-



sands of stations it is quite a closed world."

It was difficult selling advertising as an independent competing against large groups such as Europe or NRJ. They never, he says, found a manager really capable of effectively running a French radio station. On top of that the ever changing French regulatory system was a quagmire.

"You may be in the radio business and have people who understand radio, but radio is a much more national business," says Mr Chataway.

Spent money unnecessarily, advertising the station before the format had settled down when there were plenty in Paris to hire.

Misjudged the Conseil Supérieur de l'Audiovisuel, the French broadcasting authority, and how it was likely to react.

"They have been very incompetent, which is sad because the people are fair. David Haynes seemed to be the person who knew what he wanted. He brought people together. He was very very sure of himself. I think Mr Chataway had a more humble approach."

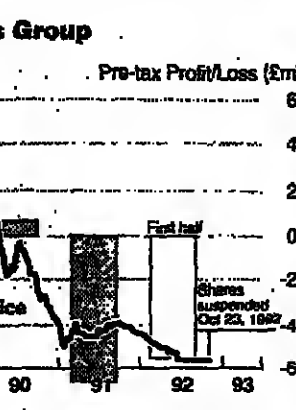
Mr Meyer, who plans to approach the French receiver to buy his network back. Soon after the RFM acquisition Crown encountered a series of difficulties, aggravated by the recession.

The merger of BSF with Sky meant the end of a lucrative television news contract. The move to new headquarters at Hammersmith, London - inevitable because the company's existing central London lease was running out - increased

costs. It also took a lot longer than expected to cope with the split of AM and FM frequencies to create two separate services.

LBC, however, is not in receivership and has floated free of the Crown debris after a financial restructuring.

Mr Chataway and other Crown directors insist that without RFM Crown could have coped with its other problems and survived the recession.



Christopher Chataway: great mistake was made

every stage and bints at darker French political machinations.

The sale of RFM was turned down. Crown believes, partly at least because of heavy lobbying from rivals who wanted to make sure NRJ did not get its hands on another network.

Mr Chataway says that he informed Mr Jacques Boutet, the CSA president, in a letter on February 4 that Crown no longer intended to sell 21 per cent to management and that the shares were still in the name of Mr Patrick Meyer.

Who precisely controlled RFM has been a thorny issue from the outset. The agreement between Crown and Mr Meyer was confidential.

Both Mr Chataway and Mr Meyer insist that Mr Meyer did indeed own the shares he said he owned, rather than merely holding them on behalf of Crown.

Mr Meyer also emphasised that Credit Mutuel always acted like real shareholders, taking an active part in board meetings.

Mr Chataway says all the shareholder agreements were drawn up by Freshfields, Crown's Paris lawyers, and were given to Price Waterhouse, the company's auditors, and summarised in the annual report.

It is believed that the confidential shareholder agreements provided for Crown to acquire more shares from Mr Meyer in due course, where this was permitted by the CSA.

What has the debacle cost the Crown chairman? His investment of £170,000 was once worth £2m on paper and now is worth nothing.

"I don't suppose anyone benefits from being associated with a company that goes into receivership. But I am certain I was right to stay on. If I had left at that point (when the problems began) I could have been criticised for leaving a sinking ship," says Mr Chataway, who has decided to step down as LBC chairman.

Mr Chataway, who speaks serviceable French, declares himself still a Francophile - though he is no longer much of a fan of French radio.

## Forte to refinance short-term debt via £200m debenture issue

By Richard Waters

FORTE, the hotels group, is raising £200m in the first large debenture issue in the UK for a year and a half.

The long-dated secured bonds are being used to extend the maturity of the group's debt, and to take advantage of low long-term interest rates, said Mr Donald Main, finance director.

"Corporates will face increasing competition for funds with the very large [UK] government borrowing requirement."

The money is being used to refinance part of the group's £340m of short-term facilities, £350m of which is covered by a

multiple option facility which falls due next year. The company has £620m drawn under these facilities, said Mr Main.

The bonds, which carry a coupon of 10 per cent and mature in 2018, are secured on 11 of the group's hotels around the UK, including the Waldorf in London. Only £30m of the group's other assets have been used to secure borrowing.

The bonds were priced yesterday to give investors a yield 1.15 percentage points above the nearest comparable gilt, the 8.75 per cent stock due 2017. At that level they offer less than a similar £200m issue from Queens Moat Houses, which yields 1.35 points more

than the gilt.

However, the shortage of new long-dated corporate bonds recently prompted good reported demand for the bonds, which came mainly from UK insurance companies and pension funds looking to match the maturity of their liabilities to long-dated assets.

The issue comes less than a week after investors received £120m from the early repayment of a £130m debenture from London & Provincial, the first secured issue in recent memory to repay below par.

Some of this cash is thought to have been reinvested in the Forte issue, helping to create demand.

Mr Chataway, who is also chairman of the Civil Aviation Authority, adds: "It was France that brought the company down. The original investment was a bad one."

He happily admits that both he and Mr David Haynes, chief executive, were enthusiastic for the venture at the time.

The Crown chairman believes that they got 90 per cent of the analysis right. It was then or never for an outside investor.

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"We weren't equipped to deal with the French broadcasting environment. Despite thou-

## EFM Dragon bids for Drayton Asia

By John Authers

EFM DRAGON Trust, an Asian investment trust managed by Edinburgh Fund Managers, has made a bid for Drayton Asia Trust, a similar concern managed by Invesco MIM which is almost twice its size.

Invesco MIM did not comment on the bid, which follows last year's payment of £9.5m in compensation to shareholders in another investment trust, Drayton Consolidated.

The bid is for the whole of Drayton Asia's share capital and warrants. The terms are complex, and involve EFM Dragon offering to issue ordinary shares at fully diluted net asset value in exchange for Drayton Asia's ordinary shares at a rate equivalent to 95.4 per cent of the latter's formula asset value. EFM Dragon is also offering to issue three 2005 warrants for every Drayton Asia warrant.

Mr Iain Watt, EFM's man-

aging director, said the aim was to increase EFM Dragon's size, making it the largest UK investment trust for Asia, and benefit from economies of scale.

He pointed out that EFM's share price performance has been better than Drayton Asia's, with growth over the three years to the beginning of this month of 35.43 per cent, compared with growth of only 0.79 per cent by Drayton Asia, according to Microcap.

EFM is also offering to pay half of the compensation fees to Invesco MIM for loss of the management contract. The other half, equivalent to two years' notice, would come from Drayton Asia shareholders.

EFM claims irrevocable undertakings from 13.8 per cent of Drayton Asia's issued share capital and 1.6 per cent of the warrants. It had received letters of intent from 21.4 per cent of the share capital and 18.5 per cent of the warrants.

### NEWS DIGEST

#### Louis Newmark loss mounts

LOUIS Newmark, the Surrey-based watch merchant, engineering and specialist equipment group, tumbled further into the red in its half year to October 3.

On turnover down 13 per cent to £10.7m (£12.2m), partly reflecting the loss of the Swatch agency in June 1991, the pre-tax deficit increased to £393,000 against £187,000 in the comparable period. Turnover in continuing activities dipped by 1.6 per cent.

The outcome was struck after interest charges increased to £331,000 (£22,000) as a result of the decision to cease capitalising interest on the group's investment in access control systems.

Losses per share were 33.5p (6.4p).

Nevertheless, the directors struck a confident note on current trading. The second half would be materially better than the first, they said, and next year should show continuing recovery.

The company is in discussions with a third party with a view to their making a capital injection.

#### Black & Edgington cuts deficit to £2.9m

Black & Edgington, the USM-quoted manufacturer and supplier of tubular steelwork, incurred a loss before tax of £2.9m for the year to end-July 1992 against a restated deficit of £3.83m.

Of this, continuing operations were responsible for a deficit of £31,000 (£4,350). Discontinued operations lost £1.97m (£2.88m) and interest payable took £38,000 (£1.49m).

The result was struck oo

turnover of £9.48m (£11.3m) of which £9.43m (£9.17m) stemmed from continuing operations.

After reorganisation costs and losses on discontinued activities, the loss for the year after interest and tax was £2.79m against £3.43m. Losses per share were 0.57p (3.98p).

Mr David Gordon, chairman, said the figures indicated a return to profit in the second half, where there was an overall profit of £1.23m (losses £400,000).

#### ECU Trust net assets increase

ECU Trust reported net asset value per share ahead to 87.5p at end-1992, against 88.7p six months earlier and 88.2p at December 31 1991.

Net revenue for the six months dropped to £35,487 (£53,577) giving earnings per share of 0.12p (0.18p).

#### Gen Consolidated net asset value rises

Net asset value per capital share of General Consolidated Investment Trust amounted to 182p at December 31 compared with 155.6p a year earlier.

Revenue after tax and minorities fell from £4.78m to £4.42m for earnings of 9.56p (10.7p) per income share. The final dividend is reduced to 1.71p (2.76p), making a total of 9.37p (10.41p).

#### Net asset value growth at Pantheon

Over the six months to December 31 the net asset value of Pantheon International Participations advanced from 133.7p to 177.7p. A year earlier the value was 120.5p.

Mr Tom Griffin, chairman, said part of the increase was caused by the agreed takeover of a direct investment, Womans Federal Savings & Loan, at

a significantly enhanced value, and the strength of the dollar.

However, because of a redemption of loan stock and a number of large investments, there was an overall reduction in cash balances and accordingly a lower level of income.

That resulted in a net loss for the six months of £57,000 (£241,000 profit). Losses per share amounted to 0.39p (1.65p earnings).

#### Glenchewton sells offshoot for £1.25m

Glenchewton, formerly Cowan & Groot, is selling loss-making Napper & Norman, a wholesaler of hardware and DIY products to the independent retail trade, for £1.25m cash.

The purchaser is a subsidiary of Marlowe Holdings, a substantial shareholder in Glenchewton.

Napper & Norman incurred a pre-tax loss of £184,000 for the year to April 30 1991. In the subsequent eight months, a small profit of £2,000 was made, but a substantial trading loss is indicated for 1992.

#### Recovery continues at Ryanair

Ryanair, the independent Irish airline, reported after-tax profits of £1850,000 (£865,000) for 1992 on turnover of £30.1m.

The outcome marks the second successive year of profitability for the airline since it was set up in May 1986. Ryanair had accumulated losses of £120m up to 1990.

Mr Conor Hayes, chief executive, said the improved performance resulted from the closure of the loss-making regional routes from Ireland to the UK, the disposal of its turboprop aircraft and the introduction of a new competitive fare structure with a "no-frills" service on its principal Dublin-Stansted route.

The group is now the second

biggest airline user of Dublin airport after Aer Lingus, the state-run airline, and the largest scheduled operator at Stansted airport. Aer Lingus operates out of Heathrow.

#### Asset value ahead at Finsbury Smaller

Finsbury Smaller Companies Trust had a net asset value per share of £18.7p at December 31, an 11.4 per cent increase on the 104.8p of a year earlier. At January 31 1993 it was 131.8p.

Net revenue was £263,000 (£229,000) for earnings of 3p (2.9p). The proposed final dividend is 2p for a total of 3p (2.9p).

#### London and Manchester expands

London and Manchester Group is expanding its product distribution network by the acquisition from Provident Financial of a company with a portfolio of motor vehicle hire purchase loans valued at £26.2m.

The business will be managed by Welcome Financial Services, LMG's consumer finance subsidiary.

Consideration was £100,000 cash. The company acquired is being financed by borrowings of £22.1m provided by Union Bank of Switzerland in London on a non-recourse basis and £4.1m being provided by LMG on a subordinated basis.

#### Asset value improves at Drayton Far East

Drayton Far Eastern Trust had a net asset value of 107.3p per share at December 31 1992 against 96.3p a year earlier.

Net revenue for the year improved to £1.09m (£1.05m), equivalent to earnings of 0.94p (0.92p) per share. An unchanged final dividend of 0.5p is proposed to maintain the total at 0.65p.

## BT Third Quarter Results

Results for third quarter and nine months to 31 December, 1992

	Third Quarter 3 months ended 31 December (unaudited)		9 months ended 31 December (unaudited)	
	1992	1991	1992	1991
	£m	£m	£m	£m
Turnover	3,281	3,292	9,812	9,924
Operating profit	830	831	2,120	2,611
Profit before exceptional charges and taxation	761	759	1,923	2,369
Exceptional charges	56	-	191	-
Profit before tax	705	759	1,732	2,369
Profit after tax	450	512	1,086	1,599
Earnings per share	7.2 p	8.2 p	17.3 p	25.6 p

"The first signs of a slight improvement in volume growth were perceptible in the second quarter. That improvement has continued into the third quarter and, together with our substantial efficiency gains, it has enabled underlying earnings for the quarter to be held at around the previous year's level. However, the economic outlook remains difficult, while competition and regulation continue to exert pressure on our performance."

Iain Vallance  
Chairman  
11 February, 1993

If you have any queries as a shareholder please call 0345 010505. For daily recorded information on the BT share price and matters of interest to shareholders generally, please call 0345 010707. You may telephone these numbers from anywhere in the UK for the price of a local call.

British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ.



## COMPANY NEWS: UK

Net borrowings cut to £849m and likely to be further reduced

## Lonrho tumbles 61% to £80m

By Roland Rudd

LONRHO, the international trading group, reported a 61 per cent fall in pre-tax profits for the year to September 30 1992, in line with the forecast made before its recent rights issue.

Profits before tax fell from £205m to £80m on reduced sales of £3,870m (£4,850m).

Profits before extraordinary items fell from £90m to £8m.

Net borrowings have fallen from £1,050m to £849m because of minority investment in group businesses and the sale of subsidiaries and associates.

Last year the government controlled Libyan Arab Finance Company purchased a one third stake in the Metro-Hotels for £177.5m.

Without the disposals and minority investments net debt would have increased, mainly

because of the high capital expenditure running at £182m (£237m).

At the time of the rights issue Lonrho said net debt had risen to £947m.

This has now fallen after the £124m sale of VAG, the UK importer of Volkswagen and Audi cars, and the cash call.

The bulk of the group's bank loans are due within one to five years.

Mr Dieter Bock, the German financier who was recently appointed joint chief executive with Mr Tiny Rowland, said the group was committed to further reducing borrowings through minor disposals.

Net interest payable amounted to £29m (£112m). A further £21m (£27m) was capitalised during the period.

The 1991 figures were adjusted to take account of the group's decision to eliminate

the "intangible" value of £117m of its remaining newspaper title, The Observer.

The separate businesses reported the following pre-tax profits: motor and equipment distribution £14m (£32m); general trade £14m (£35m); manufacturing £3m (£8m); mineral extraction and refining £29m (£77m); leisure £3m (£13m); financial services £4m (£23m); and agriculture £13m (£19m).

The tax charge for the year fell from £83m to £38m because of the fall in profits and the sale of VAG.

Net assets per share, adjusted for the rights issue and the sale of VAG, were 157p.

Earnings per share fell from 15.9p to 1.3p and a recommended final dividend of 3p brings the total for the year to 4p (13p).

## COMMENT

Lonrho's only real surprise was that it published a set of figures which contained no surprises. The City has come to expect the worst from Lonrho and was therefore relieved that the group's results were no more disappointing than its own forecast of last year. This mainly explains the 7p rise in the shares which closed at 82p. But the figures are not a cause of celebration. In terms of fundamentals nothing has changed. Profit before tax fell in all the group's activities and geographical areas. It will take a significant rise in the price of gold and platinum before mineral extraction and refining profits return to previous levels. With forecast pre-tax profits of about £100m, giving earnings per share of 3p, the shares are on a prospective multiple of 27, which reflects the collapse in profits.

## Exchange rate gains behind rise at BOC

by Richard Gourlay

BOC, the industrial gases and healthcare group, reported a 13 per cent increase in first quarter profits, helped by gains on translation into sterling.

The company said that while the increase was in line with expectations, the quarterly comparison would not be indicative of trends during the remainder of the year.

Pre-tax profits for the three months to December 31 rose from £80.1m to £90.8m on sales up 9 per cent at £776.8m.

Earnings per share rose 11 per cent to 11.81p.

Using constant exchange rates, BOC said its operating profit after interest would have increased by only 6 per cent instead of the reported 13 per cent increase to £89.7m.

The health care division improved sharply, with operating profit rising 42 per cent to £32.5m on sales up 27 per cent at £152m.

BOC said this improvement followed aggressive restructuring, a more regular sales pattern than last year and the benefit of dollar exchange rate movements.

In the gases division, operating profit edged ahead from £72.7m to £73.8m on sales up 8 per cent to £545.3m. The increase in operating profit in North America was partly offset by a fall in operating margin and profit in Europe.

The company warned that the expiry of the patent protection for Forane anaesthetic pharmaceuticals would begin to affect the health care business during the year.

Mr Patrick Rich, chairman, said there were few signs of better trading conditions. "We are fairly optimistic about prospects in the US, but in some parts of the world the conditions deteriorated further during the first quarter."

## Rothmans to merge Far East tobacco interests

By Philip Rawson

ROTHMANS International plans to merge its tobacco interests in Malaysia, Singapore and Hong Kong into a single regional company to strengthen its attack on the Far East's developing cigarette markets.

The move would provide the new company, Rothmans of Hong Kong, with cash resources and management expertise to accelerate the exploitation of cigarette markets in China, Vietnam, Japan, South Korea and Taiwan.

In what Lord Swaythling, Rothmans International chairman, described yesterday as a "constructive reconstruction," the group would integrate its wholly owned Hong Kong-based interests with the operations in Malaysia and Singapore in which the group has a 50 per cent stake.

The new company, with ownership equally divided between Rothmans International and public shareholders, would have an estimated £240m cash - currently held by the Malaysian and Singapore companies - to develop production, sales and distribution in the growth markets.

Mr Nyren Scott-Malden, analyst at BZW, said yesterday: "This is a clever plan which would bring more coherence to the Far East operations. It would enable the group to use the cash built up in the mature markets of Malaysia and Singapore to exploit the biggest growth markets in the world."

The Hong Kong subsidiary has held 50 per cent of the Malaysian and Singapore companies, as well as that of regulatory authorities in Hong Kong, Singapore and Malaysia. Establishment of the new organisation, to be incorporated in Bermuda and managed from Hong Kong, is expected to take at least nine months. The company would seek listings on the Hong



Lord Swaythling: It takes time to turn developing markets into profit and we believe this plan will quicken the process.

and Burma.

Rothmans International has already invested heavily in the Hong Kong-based development. Trading losses of £18m, reflecting the establishment of distribution networks and marketing costs, were written off last year.

Lord Swaythling said: "It takes a long time to turn developing markets into profit. We believe that this plan would quicken the process by using the full management and cash resources available in the region."

The merger will require the approval of public shareholders who hold 50 per cent of the Malaysian and Singapore companies, as well as that of regulatory authorities in Hong Kong, Singapore and Malaysia.

Establishment of the new organisation, to be incorporated in Bermuda and managed from Hong Kong, is expected to take at least nine months. The company would seek listings on the Hong

Kong, Kuala Lumpur and Singapore stock exchanges.

Directors would be drawn mainly from the present Malaysian and Singapore boards and regional executives would play an active role in developing the group.

Rothmans Malaysia, capitalised at M\$3bn (£800m), made pre-tax profits last year of M\$326.6m on sales of M\$1.1bn. Rothmans Singapore achieved pre-tax profits of S\$48.3m (£20m) on sales of S\$161m in the nine months to March 1992. It is capitalised at S\$750m.

Rothmans International said yesterday that the merger would result in some initial dilution in the earnings attributable to public shareholders in the present Far East companies but should enhance the potential for future growth.

"The expected financial strength of the new company would be such to indicate that a higher pay-out of dividends should be appropriate in future," it added.

## Crest returns to the black with £2m

By Paul Taylor

CREST NICHOLSON, the Surrey-based housebuilder, commercial developer and construction group, moved back into profit in the year to October 31, reflecting improved performance in all three divisions.

Pre-tax profits of £2.03m compared with losses of £59.4m in the previous year when the group made exceptional provisions of £59.8m to cover the write-down of its residential and commercial land and developments because of falling property prices.

At the operating level the group swung from losses of £7m to profits of £9.47m. Turnover declined to £238.2m, a fall of 27 per cent on the previous year's £324.2m.

The pre-tax figure was struck after interest charges of £7.44m (£12.6m) reflecting a

decline in both average borrowings and interest rates.

Net borrowings at end-October of £52.7m (£54.7m) represented a gearing of 59.6 per cent (60.8 per cent).

An extraordinary charge of £2.93m mainly related to the sale of the loss-making En-tout-cas sports surface and leisure business last year.

Losses per share worked through at 0.13p (£5.67p) and the company is again paying a nominal 0.01p dividend.

Commenting on the results Mr John St Lawrence, chairman, said the improved performance demonstrated the benefits of the group's determination to concentrate on core businesses.

However, both he and Mr John Callcutt, chief executive, cautioned that the market remained "extremely tough" and that the first half results this year were likely to be

below those of last year.

For 1991-92 the core residential division reported flat turnover of £121.2m (£120.9m) and an operating profit of £7.8m (£6.4m loss) while the absence of write-downs enabled the division to record a pre-tax profit of £4.8m (£47.2m loss).

The division sold a record 1,465 (1,435) units last year at an average price of £76,000 (£78,000). The margin on house sales increased from 7 per cent to 18 per cent.

The property and construction divisions also recorded modest operating profits last year despite declining turnover.

The construction division made an increased pre-tax profit of £1.9m (£1.5m) while the property division managed to substantially reduce its pre-tax loss from £12.4m to £2.3m.

## COMMENT

The new management team has refocused the group and pointed it towards recovery, but it remains an uphill struggle. It is taking longer than expected to find tenants for the completed commercial portfolio, which will then be sold to reduce borrowings. In the meantime, bank facilities of £151.5m look more than adequate. Despite renewed signs of life in the housing market, the management remains cautious. Construction margins are under pressure and the property division remains bedeviled at best. Interim results are likely to be disappointing and full year profits of £2m are likely again. The management and the market are looking to 1994 for any real improvement. In the meantime those looking for housing recovery stocks can find pure plays.

## Industrial Control Services improves 30% to £2.37m

By Paul Taylor

INDUSTRIAL Control Services Group, the electronic safety systems manufacturer which obtained a listing last May, yesterday reported a 30 per cent increase in interim pre-tax profits.

For the six months to November 30 profits rose from £1.82m to £2.37m. Earnings per share increased to 3.83p (3.47p) out of which an interim dividend of 1.33p will be paid.

Turnover edged ahead to £30.1m (£29.5m), as did operating margins which improved to 9.1 (8.7) per cent. Operating profit, including £142,000 (£30,000) of foreign exchange gains, was £2.73m (£2.62m). The group also benefited

from interest savings arising from the flotation proceeds and interest rate cuts during the period. Interest charges fell to £257,000 (£305,000).

Mr Peter Hall, chairman and chief executive, said that although the global economic position continued to affect adversely the rate of investment in ICS's markets, "increased safety and efficiency standards in the oil and gas industries continue to create opportunities for retrofit projects for the group."

He said continued focus on reducing costs had ensured that both margins and competitive position had been maintained which had enabled ICS to invest in a strong sales operation in the Middle East.

## Motor World shares hit 275p

By Andrew Golger

Trading in Motor World Group, the car parts and accessories retailer, got off to a racing start yesterday when the shares jumped to 275p, a substantial premium to the 210p at which 45.3 per cent of the group's equity had been placed.

Beeson Gregory, the stockbroker, placed 5.97m ordinary shares, valuing the group at £27.7m, but last night's close gave the group a market capitalisation of £36m.

The shares started trading at 259p, and dealers said interest from private clients was behind the heavy turnover.

Motor World now has 180 outlets.

## Six MPs support Airtours' bid

By Richard Gourlay

SIX MPs have supported Airtours in a parliamentary early day motion, hitting back at a larger group of MPs who last week called for the holiday company's bid for Owners Abroad to be referred to the Monopolies and Mergers Commission.

The MPs, led by Mr Barry Porter, Conservative MP for Wirral South, congratulated Airtours on its "innovative practices".

The cross-party motion said the proposed acquisition would benefit consumers and would bring a wider selection of affordable holiday destinations departing from regional airports.

The name of Mr Gordon Oakes, Labour MP for Halton, initially appeared on both the motion calling for referral to the MMC and the motion supporting Airtours.

Mr Oakes is understood to be

completely in favour of the takeover. A signature purported to be his is understood to have been placed on an order paper at the Commons Table Office saying he was in favour of the motion calling for referral. His name has now been withdrawn from that motion.

Yesterday Owners Abroad's shares rose 3p to 118p while Airtours slipped 1p to 280p as the market moved towards the belief that the bid would not be referred.

Mr Oakes is understood to be

## Merivale settles dispute over building collapse

MERIVALE MOORE, a property company, has won several million pounds as a settlement of its four-year dispute over the collapse of a building in Battersea.

The company took legal action against Royal Insurance, Commercial Union, Bovis, Fairclough and Grove Consultants, a subsidiary of Wimpey. The size of the final settlement will depend on the resolution of a related dispute with another insurance company.

The dispute concerned a 45,000 sq ft building at Ransomes Dock, near Albert Bridge in Battersea, that was being converted into flats and offices. In January 1989, a wall collapsed after the building's sub-structure was weakened by nearby construction work.

Mr Granville Dean, chairman, said that the settlement would have a healthy impact on the company's net assets.

At the last year end, on June 30 1992, it had net assets of £10m and borrowings of £40m.

Two thirds of Merivale Moore's business is concerned with commercial property, particularly an office campus in Cambridge. It also owns flats in London's St Johns Wood.

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## Union Discount in talks on its future ownership

By Richard Waters

UNION DISCOUNT, the discount house group which was the subject of a bid approach late last year, is now discussing a merger with another specialist operator in the short-term money market, it emerged yesterday.

Union, under chief executive Mr George Blunden, has been fighting to rebuild its core money market businesses since a disastrous diversification into leasing and property lending in the 1980s. The group's share price slipped from a high of 500p in 1990 to only a tenth of that value before the bid approach, and yesterday remained steady at 100p.

Directors of Cater Allen, the money broker which owns 8 per cent of Union and whose name has been most often mentioned as the potential bidder, could not be contacted for comment yesterday evening.

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## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
BP	2.1	May 7	4.2	10.5	10.5
Crest Nicholson	0.01	Apr 19	0.01	0.01	0.01
Dryden Far East	0.5	Apr 2	0.5	0.525	0.625
Finsbury Smaller	2	Mar 10	1.9	2	2.9
Fulcrum Inv Trst	2.65	Mar 31	-	-	-
Gen Consolidated	1.71	Apr 2	2.75	9.37	10.41
Industrial Control	1.33	Apr 28	5	4	0.3
Lonrho	2	Apr 15	5	4	10
River/Merc Gear	1.44	Mar 26	1.4	-	7.53
River & Merc Trst	2.45	Apr 3	3.68	6.2	6.48
Symonds Eng	0.15	Mar 1	0.3	-	1

Dividends shown pence per share net except where otherwise stated. £110 interim making 8.75p to date. £110 interim making 4.2p to date.

## BOARD MEETINGS

Company	Date	Chairman
BP	Feb. 24	John Browne
Crest Nicholson	Mar. 10	John Nicholson
Dryden Far East	Mar. 10	John Far East
Finsbury Smaller	Mar. 10	John Smaller
Fulcrum Inv Trst	Mar. 10	John Trst
Gen Consolidated	Mar. 10	John Consolidated
Industrial Control	Mar. 10	John Control
Lonrho	Mar. 10	John Rhoe
River/Merc Gear	Mar. 10	John Gear
River & Merc Trst	Mar. 10	John Trst
Symonds Eng	Mar. 10	John Eng

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## Notice of Redemption To Holders of U.S. \$150,000,000 First Interstate Overseas N.V. Guaranteed Floating Rate Subordinated Notes Due 1995

Notice is hereby given that, pursuant to the second and third paragraphs of the Notes (reverse side) and Sections 1101 and 1103 of the Indenture dated as of December 1, 1983 between First Interstate Overseas N.V. (the "Company"), First Interstate Bancorp (the "Guarantor") and Chemical Bank (the "Trustee"), the Company has, at its option, elected to redeem all of its outstanding Guaranteed Floating Rate Subordinated Notes due December 1995. The date fixed for redemption shall be March 15, 1993 and the Notes will be redeemed at the price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. After March 15, 1993 the Notes will cease to accrue interest. The Notes will be redeemed upon presentation and surrender, together with all appurtenant coupons, if any, maturing on and after the date fixed for redemption at the principal office of Chemical Bank, 180 Strand in London or at the principal offices of Chemical Bank in Frankfurt, Kreditbank in Brussels, Banque Internationale a Luxembourg S.A. in Luxembourg and Union Bank of Switzerland in Zurich.

First Interstate Overseas N.V.

Dated 12th February 1993

## Redemption Notice

## Nacional Financiera, S.N.C., Trust Division as Trustee of the Nafin Finance Trust Guaranteed Floating Rate Notes Due 1997

NOTICE IS HEREBY GIVEN, pursuant to the Indenture dated as of December 15, 1992 under which the above described Notes were issued that Nacional Financiera, S.N.C., Trust Division, as Trustee of the Nafin Finance Trust will redeem on March 15, 1993 7.47% of the Outstanding Principal Amount of the Notes, amounting to \$14,940,000, on a pro rata basis in accordance with their respective Outstanding Principal Amounts. The amount of principal to be paid with respect to each \$10,000 principal is \$747.00.

On March 15, 1993, there will become due and payable on each Note the above amount, together with interest accrued to March 15, 1993. On and after such date interest will cease to accrue on the Notes (or portion thereof so redeemed).

Payment of the redemption amount plus accrued interest on Bearer Notes will be made upon presentation and surrender of the appropriate coupon to one of the Paying Agents listed below:

Citibank, N.A. 336 The Strand London WC2R 1 HB England

February 12, 1993

Citibank (Luxembourg) S.A. 16 Avenue Marie-Therese Grand Duchy of Luxembourg Luxembourg

CITIBANK, N.A. as Note Trustee



## RECRUITMENT

## JOBS: Despite evidence on what really makes for high performance, employers stick to faulty measures

FOR all its own obdurate optimism, the Jobs column must bow to PA Consulting Group when it comes to looking determinedly on the bright side.

After questioning 88 large employers in Britain, the group cheerily declares that the freeze on the recruitment of university graduates is lifting. The stated reason is that "Only 5 per cent of these organisations surveyed do not intend to recruit any graduates in 1993."

How things have changed. It's not long since the opposite of a cheering interpretation would have been put on the same survey finding, which could equally well be re-written to read: "As many as one in every 20 big organisations will be recruiting no graduates whatsoever."

There is nevertheless little doubt that PA's happier wording will be thought preferable by Britain's government. After all, its educational prescription for the country's economic and social health is evident: to shackle teachers ever more tightly to the task of getting their charges through a succession of academic examinations, culminating in those for university degrees.

True, no one has yet explained precisely how such exam-passing

## At last, a gleam of practical intelligence

will increase the nation's future wellbeing, and the results of past expansions of degree-level study are hardly encouraging. But given ministers' enthusiasm for expanding it still more, they must be comforted to see that 95 per cent of big employers intend to take on at least one graduate.

Alas it may have blinded them to a couple of clouds no bigger than a man's hand, which unlike the one made famous by the prophet Elijah are not necessarily omens of good. The first cloud is represented by the appearance of the Yale University psychologist Robert Sternberg at the Ciba Foundation's recent London conference on human ability. The second is a staff development programme at Nuclear Electric, the state-owned outfit running nuclear power stations in England and Wales.

Professor Sternberg's research includes studies, in harness with fellow-shrink Richard Wagner, into what makes for productive performance at work. And one of the findings which he spelt out to the conference was that results in

academic exams are no guide to teaching or research ability, let alone to practical and creative potential.

"Many people with high test scores at school will get good university grades. But this doesn't indicate they will be successful in later life: people with lower scores may be more successful," he said. "The bottom line is that we need to recognise and think about giftedness in ways other than just looking at academic standards. What matters at school doesn't matter nearly so much in later life."

The factor which does matter is what he calls tacit knowledge or practical intelligence, which does not correlate with standard IQ. He defines it as "knowledge that usually is not directly taught, spoken about or written about, in contrast to knowledge directly taught in classroom."

the know-how typically acquired in doing something for real. He and Dr Wagner have also worked out methods of identifying same.

Now, one of the ways which history has shown to be least

effective in changing ingrained habits is to have them exposed to stupid by a professor on the basis of cogent research. For example, the Jobs column described Robert Sternberg's findings at length nearly eight years ago only to see Britain's come-progressive obsession with exam-passing become more compulsive still.

Even so, this time there is reason to hope the outcome may be different, because Nuclear Electric has got into the act. It has taken the Sternberg-Wagner ideas on the productive worth and identification of tacit knowledge, tested them carefully in the workplace, and - as was demonstrated by the company's Max Choi at last month's British Psychological Society conference - they work.

As a result, he said, "our development programme is now focused on practical intelligence." And although Nuclear Electric is but one among many employers, the intelligent step it has taken may point a better way to greater well-being than all the graduate recruitment in the world.

MEANWHILE, whatever may become of PA's optimism about the employment prospects of the next crop of degree-winners, its survey gives much information about graduates of former years who not only found but are still in jobs. As the underlying table gives only a sample of it, anyone wanting the full report which is priced at £445 should contact Jenny Cambridge at 123

Buckingham Palace Rd, London SW1W 9SR; tel (071) 730 9000, fax (071) 333 5059.

My extract takes two sorts of employed graduates: one deemed adequate though no more than that in the job, and the other considered a high-flier. The table shows the typical pay of each sort after various lengths of time in 13 types of work. "Accounting" covers the in-company variety as

well as professional practice, and the pay figures include bonuses in addition to basic salary. Where the types of work are ranked in the table is determined by the differential which the high-flier enjoys over the adequate performer after five years' service. The variances strike me at least as surprising. The range runs from nearly 32 per cent in the case of production to a mere 2.2 per cent in chemical engineering.

Michael Dixon

Type of work	After 6 months Ade-quate	After 1 year High-flying	After 18 months Ade-quate	After 18 months High-flying	After 3 years Ade-quate	After 3 years High-flying	After 5 years Ade-quate	After 5 years High-flying
Production	12,586	12,963	13,678	14,290	15,057	17,524	17,745	21,236
Management generally	12,757	12,790	12,839	13,565	14,251	16,156	16,090	18,510
Personnel	14,068	14,468	14,828	15,350	16,088	16,813	17,820	18,860
Retail management	12,867	13,267	13,490	14,143	14,612	15,808	15,848	17,213
Electronic engineering	15,602	15,630	17,247	18,054	18,450	19,593	20,708	21,867
Research & development	14,309	14,882	15,106	15,885	16,170	16,894	17,874	19,205
Computing	14,068	14,109	15,206	15,768	16,187	16,852	17,563	18,322
Banking	13,326	13,326	14,034	14,080	15,349	15,599	17,362	18,203
Mechanical engineering	13,593	13,593	14,099	14,333	14,696	15,123	15,863	16,776
Sales and marketing	14,994	14,944	15,621	16,271	16,254	16,705	18,080	19,989
Insurance	13,172	13,226	13,486	14,010	14,258	14,735	15,045	15,425
Accounting	13,062	13,062	13,853	14,102	14,228	14,665	20,174	21,232
Chemical engineering	15,368	15,810	16,447	16,820	16,582	16,873	20,047	20,379
Overall	14,009	14,141	14,861	15,340	15,954	16,619	17,892	18,280

The Inter-American Development Bank, an international financial organization dedicated to the financing of economic and social projects in the Latin American and Caribbean region, has an opening at its headquarters office in Washington, D.C. for:

## INTER-AMERICAN DEVELOPMENT BANK DIRECTOR, EVALUATION OFFICE

The Director will be responsible for overseeing the Bank's evaluation system and managing the Bank's Evaluation Office. He/she will be directly answerable to the Board of Executive Directors.

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The Bank is able to consider only qualified applicants who are citizens of one of its member countries. Applicants must have proficiency in the two working languages of the Bank (English and Spanish) in combination with strong writing, presentational and communication skills. Terms of employment include a five-year non-renewable contract at a level of Department Manager. We offer an excellent salary and benefits package, including relocation costs. Interested applicants should send curriculum vitae to: Inter-American Development Bank, HR-DEU, Stop HQ517, Washington DC 20077, U.S.A. The Bank regrets that it cannot acknowledge applications from persons who do not meet the stated requirements for the position or those that reach the Bank after the closing date: March 22, 1993.

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## GRESHAM COLLEGE

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Candidates should have active commercial or business experience or suitable academic experience. The principal obligation is to offer six lectures each year: the requirement is to provide for a general audience an awareness of the significance and value of advances in the candidate's field of expertise. An honorarium of £3,000 p.a. is payable.

Further particulars are available from  
The Provost, Gresham College, Barnard's Inn Hall,  
Holborn, London EC1N 2HH.  
Tel. 071-831 0575; Fax: 071-831 5208.

The closing date for applications is Wednesday 10 March 1993.

## SMITH NEW COURT SECURITIES LIMITED

## UK WATER ANALYST

Smith New Court, one of the UK's leading Securities Houses, is inviting applications from candidates to join a well established and successful Utilities team. The prime responsibility will include the preparation of written research on the water sector in the UK to both clients and relevant employees of the firm.

The requirement is for a highly motivated, hard working individual preferably aged between 25-35 years with strong oral and written communication skills. Although previous analytical experience is not essential, a practical awareness of the water industry is expected. This should include a strong background in financial analysis and regulation.

A highly attractive remuneration package will be offered to the right candidate. Please submit your application, including a CV, to:

Kirsten Wright, Personnel Department,  
Smith New Court Securities Limited,  
Smith New Court House, 20 Farringdon Road  
London EC1M 3NH

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## DEBT ARBITRAGE AND TRADING

Russia and Eastern Europe

Morgan Grenfell Debt Arbitrage and Trading is seeking to recruit a London based executive to join its expanding Russian and Eastern European team which is involved in trading and structuring transactions using discounted debt.

The position will require the successful candidate to identify and develop business opportunities in Russia, the other republics of the former Soviet Union and other Eastern European countries including Poland and Bulgaria.

Applicants for this position should be graduates with experience of western banking practices and a good understanding of the Russian financial system preferably gained by working

either for a Russian bank or Foreign Trade Organisation.

Whilst prior experience of trading debt would be advantageous it is not essential. We would expect that only those fluent in written and spoken Russian and English will be capable of dealing with the challenges of business development, negotiation and documentation this position requires.

There is an attractive remuneration and benefits package.

Please write giving full career details to:  
Mark Heyes, Morgan Grenfell & Co. Limited, 23  
Great Winchester Street, London EC2P 2AX

**MORGAN GRENFELL**

## MERIDIEN BIAO sa

## GENERAL MANAGER - BANKING OPERATIONS

and  
BRANCH MANAGER - PRINCIPAL OFFICE ZAMBIA

Meridien BIAO Zambia, a part of the Meridien BIAO banking network which includes banks in twenty African countries, seeks applications for the post of General Manager - Banking Operations and Branch Manager of its Lusaka main branch.

Selection criteria are a minimum of 7-10 years banking experience including general management, credit and marketing, and operations. Previous African experience is an advantage.

Competitive compensation package offered.

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Managing Director  
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Appointments Advertising appears  
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## CHIEF ECONOMIST

Gulf Based Tax Free Package

A prominent and highly regarded Gulf financial institution wishes to strengthen its management team by the appointment of an experienced Economist with an intimate knowledge of the Gulf Cooperation Council Countries (G.C.C.).

In addition to the preparation of in-depth studies of each of the six G.C.C. State economies, you will be required to undertake research at both the product and the business sector level to assist in identifying viable direct investment opportunities.

A Ph.D. in Economics is essential with at least five years' post-qualifying experience preferably gained within the region. Oral and written knowledge of Arabic would be a distinct advantage.

In the first instance, interested applicants are invited to send their curriculum vitae to or telephone Walter Brown or Philip Wright in complete confidence.

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## TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

### Urban Regeneration Agency CHIEF EXECUTIVE

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The Agency will subsume the Derelict Land Grant and City Grant programmes now operated by the Department of the Environment. It will also take over the present work of English Estates in promoting the provision of industrial and commercial space, mainly in Assisted Areas.

As a member of the Agency's Board and its chief officer, your contribution will be vital to its success. You will have an impressive track-record in senior management, knowledge of the property market and extensive experience in land regeneration or a related field. A key measure of your success will be the amount of investment you are able to attract into the regeneration of urban areas.

The Agency will aim to work as an

enabling body, helping the private sector to regenerate land. It will also work very closely with local authorities and other public bodies. You must therefore combine your property skills with an ability to communicate effectively with the private and public sectors, in particular local authorities and developers.

In your role as accounting officer of a public body, you will have personal responsibility for the effective and economic management of the Agency's resources including its budget. Initially around £250m a year.

The appointment is for a fixed term of up to 5 years with the possibility of an extension on an annual basis. It attracts a salary of around £90k, including performance-related pay, with the possibility of more for an exceptional candidate.

This appointment is subject to the enactment of the Housing and Urban Development Bill which is now before Parliament.

For further details and an application form (to be returned by 12 March 1993), write to Recruitment & Assessment Services, Alcon Link, Basingstoke, Hampshire RG21 1JB, telephone Basingstoke (0256) 468551 or fax (0256) 846374/846563. Please quote ref: B/1820.

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French and English fluency necessary. Other European languages a plus.

Must have experience selling to prominent closeout retailers and European wholesalers and multi-store closeout retailers.

Compensation commensurate with experience.

Interviews will be conducted in Paris during the week of February 15th 1993.

Send Resume to

Moses Deitcher  
Atwood Richards Inc.  
99 Park Avenue New  
York NY, 10016 USA  
Fax: 212 949 8040

Inquiries treated in confidence. Resumes only.

Comissariat  
World Expo  
1998 Lisbon  
(under formation)

### LISBON EXPO' 98 PROJECT MANAGER

Portugal is preparing the century's last exposition. The 1998 International Exposition will be held in Lisbon from June to September on its theme will be "The Oceans, a Heritage for the Future".

A large area neighbouring the River Tagus has been allocated for this purpose and it is expected that a considerable number of exhibitors will take part, including countries, international organisations and public and private enterprises. It is estimated that some ten million people will visit the exposition.

The exhibition area forms part of a vast urban area (300 hectares) that is to be redeveloped and this arduous task will require adequate structures. Proper dimensioning of the operational teams and the scope of their intervention means that special attention must be given to the overall management of this undertaking.

Expo' 98 will therefore be calling for tenders in the near future in respect of the appointment of the Expo' 98 Project Manager, the corresponding conditions and requirements to be published very soon.

Lisbon, February 11 1993

The Top Opportunities Section appears every Wednesday.

For advertising information call  
Clare Peasnell on 071 873 4027  
Elizabeth Arthur on 071 873 3694

## BANKING FINANCE & GENERAL



### SALES MANAGER St. Petersburg

We are one of the leading jeans manufacturers worldwide and distribute our products in nearly all Western countries. With the opening of the market in the CIS we also aim at a successful launch of our range there. In order to meet the requirements and considering the importance of this large market we are now looking for a dynamic and experienced Sales Manager who will cooperate closely with our German headquarters in the establishment of a sales organisation based in St. Petersburg. You will furthermore offer active local support in project handling, examination of the standing of prospective clients and bank transactions.

Fashion is fun - but as a sales professional you know that success can only be attained with initiative, ambition and clear concepts. Profound experience in the fashion business, entrepreneurial approach, excellent communication and presentation skills as well as fluency in Russian and good German are required for this position. An academic degree is of advantage, but not necessary.

If you would like to participate in and largely contribute to our activities in this new market, we offer an attractive position with excellent possibilities for career development within our international group and an interesting remuneration package. Please send your written application including CV to our consultants (ref. no. 12001).

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A-1010 Vienna, Eschenbachgasse 11

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### MOODY'S INVESTORS SERVICE

#### Structured Finance Group

Moody's Investors Service, the global credit rating agency, has built a worldwide reputation for its credit analysis. Moody's provides investors with rating opinions on the relative creditworthiness of banks, governments, corporations and other entities. The Structured Finance Group analyses the creditworthiness of debt obligations secured on financial assets. This includes cash flow, documentation and legal analysis. Moody's London office is currently recruiting two European nationals to fill new posts created by its continuing international expansion.

#### Analyst/Senior Analyst - Structured Finance

Integrated into the Structured Finance Group, this senior appointment has individual accountability. The position involves liaising with issuers, carrying out detailed analysis of asset-backed and other structured transactions in order to identify and quantify the risk of the collateral and structure, and producing analytical reports for publication. Candidates should have a minimum of 4 years direct experience of asset-backed securitisation. A strong knowledge of corporate law would be an advantage.

#### Research Associate - Structured Finance

This position provides support to the Structured Finance Group, and involves undertaking detailed background research and quantitative analysis. Moody's is seeking a numerate graduate with an interest in financial markets. PC skills, including a knowledge of spreadsheets and possibly databases, a European language, and work experience with a financial institution or similar organisation would all be advantageous.

Applications, including either a curriculum vitae or standard application form, should be made in writing to Janet Unwin at the following address: 51 Eastcheap, London EC3M 1LB.

## Financial Analyst

The Head Office Corporate Finance Department of my client, a major UK-based international insurance group, plays an important and far-reaching role in the group's financial management. It has responsibility, among other things, for the efficient deployment of the group's capital worldwide, for the management of the group's debt and financial structure, and for the financial appraisal of major non-portfolio investment proposals.

A key vacancy has arisen in the Department for an experienced Financial Analyst to lead a small team of specialists. As leader of this team your prime responsibility will be for the financial appraisal of:

- \* corporate acquisition or disposal opportunities
- \* major capital expenditure proposals.

Your task will be to apply financial analytical techniques to evaluate and report on the diverse proposals that are presented to you. You will be expected to participate in negotiations connected with the development of these proposals, and this may involve short periods of work overseas.

A qualified accountant (preferably ACA) you will have a proven track record in applying the techniques of financial analysis. You will also be thoroughly familiar with the practical aspects of mergers and acquisitions work, and with the operation of the money and capital markets.

You will have the ability to think independently, to challenge assumptions, and to reason persuasively. You will also possess first rate presentation skills. In return, this demanding role, with its high profile across the group, will provide excellent promotion opportunities for the right candidate.

To apply, please write enclosing a full CV and salary details to Elizabeth Marlow at Macmillan Davies, 52-54 Broadwick Street, London W1V 1FE. Telephone: 071-494 1144. Fax: 071-734 4678, quoting reference MD 2849.

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Through emphasising personal service and creating solutions in response to individual client needs, this West End based private bank has developed a high quality client base. Part of a European group of affiliated financial institutions, the bank, nevertheless, enjoys considerable autonomy. Client services are based on the management of liquidity and investments but extend to corporate advisory and asset financing.

Continuing expansion prompts the need to recruit a senior banker to manage a portfolio of private clients. Although your existing contacts will

be helpful, the bank is keen to locate individuals who are able to convert existing potential clients and develop business opportunities. In addition to the analysis and structuring of transactions, you will also liaise with specialist Treasury and Investment support.

A professional teamworker with sophisticated interpersonal skills you will have gained business development, client service and analytical experience over several years with first class private banking institutions. Probably ACIB and certainly computer literate, you will have sound knowledge of banking law and practices, personal

taxation, financial planning and offshore arrangements. Your specific product knowledge should cover treasury, capital markets and financial investments.

If you would like to discuss this opportunity in confidence, please call Mark Harshorne in Birmingham on 021 200 3000 or alternatively write to him, enclosing full career and salary details, quoting reference B/0010/FT at: Executive Search & Selection Price Waterhouse Milton Gate 1 Moor Lane London EC2Y 9PB



## Bank of Ireland Group Treasury

### SENIOR TREASURY DEALERS DUBLIN LONDON & NEW YORK

Bank of Ireland Group Treasury is Ireland's leading treasury operation. Through the recruitment of ambitious professionals we have earned our reputation for innovation, professionalism and outstanding customer service. We are determined to maintain our successful track record and we now seek to recruit additional Senior Dealers for our offices in Dublin, London and New York.

The composition of positions available will vary. Essentially, dealers will be trading in Spot and Forward Exchange in major currencies, Futures and other capital markets instruments. The positions will be demanding with income targets which will be challenging but achievable.

We wish to recruit dealers who have already established a proven track record in successful dealing in a broad range of financial markets. Candidates must be energetic, innovative and forward thinking, with the determination to contribute to our success. In return, we offer careers in a wide range of locations together with compensation packages commensurate with the best practices in the respective market places.

Candidates should write, enclosing a detailed curriculum vitae, to:

Mr. F. J. Healy,  
Head of Personnel,  
Bank of Ireland Group Treasury,  
La Touche House,  
1 F. S. C.,  
Custom House Dock,  
Dublin 1.

The closing date for receipt of applications is Friday, 26th February, 1993.



### SALES - FINANCIAL MARKETS

CIPRI is one of the leading Market Makers in the French Government Bond market and enjoys a primary dealer status. CIPRI is a fully owned subsidiary of CFP, a major French banking group specialising in investment management services and brokerage activities.

We are seeking high calibre, achievement orientated sales professionals to help expand our existing team.

The successful candidate must have a good understanding of financial instruments, particularly fixed income products, and at least 3 years experience gained in a sales role with UK based institutional customers.

After an initial training period within the Paris based CFP/Assa, you will move into selling FF fixed income products to a UK clientele from a City of London based office.

Fluency in French would be appreciated.

Salary is negotiable according to experience.

Please apply to Jacky Gouvert, Personnel Manager CFP Group,  
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Address CFP Group:  
4 cité de Londres - 75312 Paris cedex 09 -  
Fax: 45 96 25 53

### AN EXCITING NEW OPPORTUNITY!

Experienced and capable person sought for a new opportunity within a well-established public company providing information to the financial marketplace.

Applicants must have a thorough understanding of corporate and retail banking sector and money and capital markets. They will also require a proven first-class sales ability, the capacity to gain access to and communicate with top-level executives in financial institutions. They must have sound research skills and be self-motivated yet possess good team spirit.

For the person who has all these attributes and can do this job well, the rewards will be high. Send full C.V. to:

BOX A713, FINANCIAL TIMES,  
ONE SOUTHWARK BRIDGE, LONDON SE1 9HL.

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We are one of the leading investment houses in the UK with over £12 billion under management, and are seeking to appoint a Quantitative Analyst to work as part of the International Fund Management Team.

Your role will be challenging and diverse. It will include the production of performance attribution and risk analysis reports for Gartmore's portfolios, management of index funds and the maintenance of quantitative computer systems. Special statistical projects will be an integral part of the role.

Ideally you will be a graduate, highly numerate with the ability to collate and interpret statistical investment management data. You will have a minimum of 2 years' experience in an investment management environment. Well developed interpersonal skills will be necessary in order to present ideas and analyses with confidence. Computer literacy is an essential requirement.

If you are interested in this challenging role, please apply with CV to Lois McLean, Personnel Manager, Gartmore Investment Limited, PO Box 65, 16-18 Monument Street, London EC3R 8QQ.

**Gartmore**

**LAFFERTY GROUP**

Dynamic individual required to develop a new division of Lafferty Group. In the field of financial services training.

The training division will stand alongside our highly successful newsletter, management reports and conferences division - serving the same customer base. It will provide highly specialised, practical training for senior and middle-ranking executives in banks, insurance companies and other financial services providers.

You must be creative, well-organised and have PC skills. Major European languages highly desirable. Would suit candidates with 5 years' experience in financial services training or conferences. Send CV and indication of salary expectations to:

Michael Lafferty, Chief Executive Officer,  
Lafferty Group, Diana House, 4th floor, 34-36 Chiswell Street, London EC1Y 4SE. Tel: (071) 782 0590, Fax: (071) 782 0596.

**INSTITUTE OF INVESTMENT MANAGEMENT AND RESEARCH**

November 1992 Examination Results

**PRIZE WINNERS**

Institute Prize for the Principles of Accounting Paper  
**Kristina Warren - Sun Life Investment Mgt Services**

Institute Prize for the Principles of Economics Paper  
**Philip A. Adams - Sun Life International PLC**

Institute Prize for the Statistics & Financial Mathematics Paper  
**John P. Munk - Henderson Investment Services Ltd**

and

**Errol C. Francis - Barclays Investment Mgt Ltd**

External Financial Prize for the Securities and Investment Paper  
**Helen E. Thomas - NIM Rothschild Asset Management**

Risks Prize for the  
Interpretation of Accounts and Corporate Finance Paper  
**Cyrus D. Jinn - Schroder Investment Mgt Ltd**

Financial Training Prize for the  
Investment Regulation and Practice Paper  
**Michael W. Weston - Royal Investment Mgt Ltd**

The Wincott Foundation Prize for the Case Study Paper  
**Nigel P. Jenkins - NIM Rothschild Asset Mgt**

The following also successfully completed their Institute examinations in November 1992:

M.K. Al-Romdhani	Abu Dhabi Investment Authority
M.J. Arnold	Hambros Bank
S.L.B. Baker	Schroder Securities
A.N. Barwick	County NatWest Investment Mgt
L.G. Bennett	First National Building Society
A.P. Brown	Lloyds Investment Office
R.A.C. Buckland	County NatWest Securities
O. Butler	Investment Bank of Ireland
D.B.M. Cawley	Martin Currie Investment Mgt
N.A. Connolly	Murray Johnstone
R.J.R. Chisholm Bates	Mercury Asset Management
M.N. Coop	Barton & Woodrow
I.R. Davis	De Zee & Bevan
K.D. Dick	Norwich Union Life Insurance
O. Farrelly	Investment Bank of Ireland
M.L. Fyfe-Gilly	Gartmore Indosuez
P.M. Fox	BCP Stockbrokers
M.C. Fulton	Sun Alliance Investment Mgt
S.J. Fox	Commercial Union Asset Management
N.C. Fouldy	Cooperative Insurance Society
A.A. Fraser	Scottish Widows Fund
J.R. Gifford	Schroder Investment Management
M.B. Inglis	Mercury Asset Management
A.E. Jones	Norwich Capital Markets
N.P. Jenkins	NIM Rothschild Asset Management
L. Jones-Follows	Credit Suisse First Boston
L.R. Knight	Morgan Stanley Asset Management
I. Lewis	Norwich Union Life Insurance
R.H.R. Leonard	Lazard Investec
A.J.L. Little	Scottish Widows Fund
L.P. MacRae	CIN Management
R.J. Matthews	Gartmore Investment Management
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C. Rice	Scottish Amicable Investment Mgt
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N.L. Roberts	Mercury Asset Management
R.A. Rowland	Lazard Investec
T.F. Ryan	Chiyoda Life Europe
M.A. Saunders	Phillips-Moller & Co
D.A. Scapple	Murray Johnstone
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C.M. Sim	Barclays de Zee World
P.R. Small	Scottish Widows Fund
D.L. Smith	Miscellaneous Services
C.C. Thomas	Warburg Asset Management
A.R. Thomas	Mercury Asset Management
N. Vanloo-Selzer	Cooperative Insurance Society
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## EUROCONTROL

The European Organisation for the Safety of Air Navigation requires for its Headquarters in Brussels (m/f)

### FINANCIAL ANALYST (ref: AA/002/FT)

to develop a system for financial appraisal of technical projects in cooperation with operational/technical specialists using various methods such as cost-benefit analysis. Candidates must demonstrate the capacity to understand the technical aspects of projects and to identify key factors therein as well as having experience and knowledge of forecasting methods.

### HEAD OF BUDGET AND MANAGEMENT REPORTING (ref: AA/003/FT)

Responsible for the preparation, in conjunction with budget managers, of consistent and accurate budgets and for the provision of regular financial reports to assist senior management. A numerate and suitably experienced person is sought with fluency in French and English. A minimum of 3 years' experience in a similar field is required.

For both posts, a university degree (or equivalent qualification) in economics, business science or accountancy is required.

An attractive international salary, including social security and pensions provisions, is offered.

Application forms and further details may be obtained from EUROCONTROL, Personnel Division, rue de la Loi 72, B-1040 Brussels. Fax no. 32/27293972 for enquiries only. Enquiries must bear the appropriate reference "ref" quoted above.

Completed application forms clearly indicating the reference number must reach the above address by 15 April 1993, at the latest.

Candidates are advised in their own interests to ensure that they meet the above deadline since closing dates are applied strictly.

## Pension Fund Marketing

Confederation Life is one of the UK's leading managers of pension fund investments, with some £3,500 million under management. Our Mixed Pooled Fund is the third largest of its kind and we are actively developing our segregated pension fund business.

Our success in this competitive field owes much to our commitment to supporting the professional intermediaries who advise corporate pension funds and to providing service to the Trustees of the funds themselves.

We are seeking to recruit an Account Manager to be part of our marketing and client service team, which spearheads our development work in this area.

Working from our investment offices in the City of London you will be responsible for developing relationships with top-line professional firms of advisers, providing information and service to clients and attending new business and existing client presentations.

Applicants should be educated to degree level and must possess a high level of communication skills. A background in investment or related marketing would be an advantage.

The successful applicant will receive an attractive remuneration package, incorporating an incentive-based bonus scheme, car, non-contributory pension and other financial sector benefits.

Confidential written applicants (enclosing recent photograph), to: R. Hewson, Marketing Officer, Pensions & Investment, Confederation Life Insurance Company, Lytton Way, Stevenage, Herts SG1 2NN.

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### THE BRITISH AIR LINE PILOTS ASSOCIATION INDUSTRIAL RELATIONS OFFICER (London Heathrow)

We are the body which represents both professionally and industrially Britain's civil airline pilots and flight engineers.

As Industrial Relations Officer, the successful candidate will join a team of professionals and play an influential and key role in resolving collective and individual grievances.

The post demands extensive experience in industrial relations, probably through a trades union or similar background. A proven ability in negotiations and communication skills, written and verbal, is essential.

Employment package details and a job description are available on request by calling (081) 758 5331. Salary is negotiable.

Chris D. Duff  
GENERAL SECRETARY  
BRITISH AIR LINE PILOTS ASSOCIATION  
81 New Road  
Heston  
MIDLESEX UB3 5EG

## International Bank Multi-Currency Bond Fund Manager

c. £50,000 + car and benefits

27-35

We have been retained by one of the U.S.'s largest and most rapidly growing banks, to find an outstanding International Fixed Income Fund Manager to cover all aspects of non-U.S. Dollar Bond and Currency markets.

The job, which is London-based, is being made ahead of the launch of a major new Global Bond Mutual Fund. The person appointed can expect to take over existing European Fixed Income monies together with very substantial new clients emanating from a major U.S. institutional and Retail network.

The job holder will report to the London Managing Director but, at the same time, act in close liaison with colleagues based in the U.S. who will be looking after all Dollar

Bond aspects. A transatlantic partnership is envisaged and asset allocation decisions will be taken together. Travel to America and some marketing involvement must be anticipated.

Our client seeks an outstanding 27-35 year old, who has already demonstrated that they have fast track potential. It is essential that the person is a graduate who will probably have a background in an Economics related subject. He/she will need to be a person who is prepared to make a career commitment to one of the world's most successful institutions.

**OVERTON  
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Please reply in the first instance to Keith Fisher, at Overton Shirley & Barry, Prince Rupert House, 64 Queen Street, London EC4R 1AD. Tel: 071-248 0355. Fax: 071-489 1102.

INTERNATIONAL SEARCH AND SELECTION

## Asian Equity Sales

London based

Highly competitive package

Schroders is one of the largest and most international of the UK based investment banking groups. We are a world leader in corporate finance and investment management, and our securities operations span the globe, providing financial services to institutional clients.

Asia plays a vital part in Schroders' overall strategy with major business in Japan, Hong Kong, Korea and Singapore, as well as offices in Malaysia, Taiwan and Indonesia.

Our London based Korean Sales desk is looking to recruit additional sales people to market Korean securities to institutional clients in the UK and on the continent.

Candidates should be graduates with a minimum of two years' work experience and a broad knowledge and understanding of the Asian region. Their experience may have been gained either in broking one of the Asian markets or on the fund management side or as a research analyst.

The total compensation packages includes a competitive salary, performance related bonus and an attractive range of benefits.

Applications, including a full CV with current remuneration, should be sent to: Caroline Baker, Personnel Executive, Schroder Securities Limited, 120 Cheapside, London EC2V 6DS.

**Schroders**

### DUNEDIN FUND MANAGERS INVESTMENT ANALYST

Dunedin Fund Managers, a leading investment management company based in Edinburgh, is looking for an investment analyst to specialise in the South East Asian markets. Experience of these markets would be beneficial but is not essential.

Candidates for this position are required to be articulate, numerate and able to work as part of an experienced and established team. An attractive salary, together with a range of benefits, is available to the successful applicant. If you are interested in this opportunity which is located in Edinburgh, please write, enclosing a CV, to: Colin Peters, Dunedin Fund Managers Limited, Dunedin House, 25 Ravelston Terrace, Edinburgh EH4 3EX

To Advertise In This Section  
Please Call Mark Hall-Smith On  
071 873 3460

*Self is Life*



## Poacher turned gamekeeper has accountants in his sights

Andrew Jack explains the little-known background to Michael Heseltine's attack on 'wealth managers'

A WELCOMING sight lies just a few pages inside the front cover of the freshly-printed 1993 members' directory of the Institute of Chartered Accountants in England and Wales. It is a smiling photograph of Mr Ian Plaistowe, this year's president.

But if Mr Michael Heseltine, the UK secretary of state for trade and industry, were to turn to the previous page, he would be unlikely to share that facial expression for long. Judging by a speech he gave last week, he would probably substitute a gritty grimace for the grin.

The page proudly states that the institute counted 100,135 members on its rolls by July 1 last year. The rest of the directory - all 1,500 pages of it in microscopic print - is devoted to listing each of them and their firms.

By the end of last month, that figure had risen to 102,390. There was even a formal presentation of an engraved paperknife to the lucky 100,000th member. Mr Heseltine would no doubt have preferred to offer a mallet, or some other more practical industrial object.

In a sombre address to the Scottish Division of the Institute of Directors in Edinburgh last Friday, he criticised what he saw as Britain's imbalance of "wealth managers" to "wealth creators", contributing to the lack of innovation in business. Accountants and lawyers were high up his hit list.

While the route to the top of German and Japanese companies is through engineering, science or research qualifications, in the UK it has been through "the City, Parlia-

ment and above all accountancy," he said. "I find it hard to believe this offers us the best way ahead."

Knocking comments about accountancy are nothing new. It may be one of the world's younger professions, but it has long been the butt of jokes and dismissive comments. Early last year, Mr Akio Morita, the chairman of Sony, described as "very curious" the fact that many UK companies are headed by accountants rather than engineers. Some bruised beancounters have taken particular satisfaction in seeing Sony's own financial position deteriorate since that time.

But Mr Heseltine's prominence as head of the government department with responsibility for British industry and for monitoring and regulating accountants, means that his comments are worthy of attention - and given even greater weight by the comparative silence on the subject by Mr Neil Hamilton, his junior minister.

To be fair, his dismissive remarks were only part of a wide-ranging speech on the need by companies to take a longer-term view. But the opinions certainly struck a raw nerve in Mr Plaistowe, who wrote an indignant response to the secretary of state on Monday in which he said he was "surprised and disappointed".

He accused the minister of falling into "a notorious elephant trap" by making comparisons with other countries, and asked him to address the issue of why so many talented young graduates considered accounting such an attractive career. "We have a qualification which is highly prized," he said yesterday. "People choose it because it gives them a wide range of options."

Mr Heseltine's antagonism towards accountants is not new. In his book *Where there's a will* published in 1987, he says auditors should ideally be appointed by a body independent of a quoted company's board. He says auditors should be banned from conducting non-audit work such as management consulting for audit clients.



He also tells how he helped create the Audit Commission for local government, rejecting the idea that an auditor could be independent when appointed by the local authority on which it was reporting.

But his views have apparently hardened in the last few years. In 1990, he was still reported as claiming in a speech that "accountancy is not boring" and that it provides "wonderful training" as a preparation for business.

Sigmund Freud would no doubt have drawn considerable significance

from Mr Heseltine's early experiences as an accountant. Though strangely missing from *Who's Who* and other biographical reference works, the minister began his career as an articled clerk with PwC Marwick Nicholls, now part of KPMG PwC Marwick, in the 1960s - but failed the final exams.

He did extremely well by the profession, founding the weekly journal *Accountancy Age* through his publishing company Haymarket, and then selling it at a healthy price. The relationship may have begun to sour in the 1980s, when he launched another journal called *Account*, which folded within a matter of months.

Whatever the reason, Mr Heseltine has a point. Both the absolute number of accountants and their proportion of the population in the UK is very high. Add the Scottish and Irish to the English and Welsh chartered accountants, include the certified, public finance and management accountants, and the total quickly tops 200,000.

As the table shows, these levels are substantially above those in Japan and Germany. In between come a number of tax havens or countries with favourable regimes for multinational companies, such as Luxembourg and Gibraltar. The only countries with more accountants per capita than the UK are members of the Commonwealth such as Australia and Canada.

Conclusions and trends are certainly very difficult to draw from these figures. Some of the statistics are outdated, and others not entirely reliable. The abilities, qualifications and range of functions carried out by

members of the different professional bodies varies widely between countries. In Japan, they cease to be counted as accountants once they leave public practice.

In the UK, by contrast, many of those with accountancy qualifications do not work in public practice at all. More than half of chartered accountants work in business and industry, and a significant proportion - particularly of the certifieds - work in other countries.

None the less, Mr Heseltine's argument is partly echoed by Mr Peter Davis, chairman of the Board of Chartered Accountants in Business, and outgoing finance director of Sturge Holdings. "Accountants are not generally good wealth creators, initiators or risk takers," he says. "But Britain is still producing its share of entrepreneurs, and accountants have an important secondary role in business."

Perhaps what the professional bodies should consider is a more radical overhaul of their syllabi to make them more relevant to the majority of recruits who move into business after qualifying. But Mr Plaistowe makes a fair point when he says accountants can hardly be blamed for any failure of other businesses to make sufficient investment to attract as many good recruits.

Arguably, Mr Heseltine, wearing his hat as regulator of accountancy, should be returning to the thoughts in his book six years ago about conflicts of interest and the question of to whom auditors should report. As with the number of accountants, these issues have only continued to grow in the meantime.

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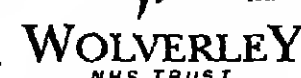
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A basic salary of around US\$55,000, according to experience, will be paid free of tax in Saudi Arabia, plus a guaranteed end-of-contract gratuity and a discretionary annual performance-related bonus. In addition, an excellent benefits package will be offered, on a married or single-status basis, which includes: \*free housing \*leased car \*generous leave and leave travel provisions \*free medical treatment \*overseas school fee and student travel benefits \*first-class recreation facilities.

This contract appointment, initially for two years and renewable by mutual agreement, represents an excellent opportunity for both employment in a stimulating and demanding environment and substantial capital accumulation.

Interviews will be held in London in mid-April. Please reply as quickly as possible with a full cv, indicating current compensation level, which will be forwarded to our client. Address to Ref: R2418/FT, PA Consulting Group, Advertising and Communications, 123 Buckingham Palace Road, London SW1W 9SR. Fax: 071-333 5050.

**PA Consulting**  
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Creating Business Advantage

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## FINANCE DIRECTOR

### EUROPEAN MANUFACTURING GROUP

£50,000 + ATTRACTIVE PACKAGE YORKSHIRE H.O.

The successful applicant will form part of a small central management team. You will be responsible for all financial and certain commercial aspects of the group's operations, including group financial management and reporting; monitoring the financial performance of subsidiaries; Treasury management; banking and investor relationships; group taxation; assisting with preparation for possible flotation.

The successful candidate will be an FCA or equivalent, probably a graduate, and have proven successful experience at a similar level. Language skills would be helpful but not essential. Opportunity of equity participation.

Please write including a full CV with salary details to: Box A696, Financial Times, One Southwark Bridge, London SE1 9HL

The Financial Times  
proposes to publish  
the ACA PEII results on

Thursday 25 February 1993

To advertise in this feature  
call Phillip Wrigley on  
071 873 3351

Hoffmann-La Roche, a global leader in the Health Care field, has immediate openings in its Corporate Finance department at its headquarters in Basel, Switzerland.

Responsibilities will include both central and worldwide tasks. Successful candidates can look forward to an enriching internationally-orientated career in a challenging professional environment.

We are seeking individuals with the following requirements:

### FINANCIAL ACCOUNTANTS

Substantial Financial and accounting education at the University Level; CPA, CA or equivalent professional degree; 2-5 years relevant professional experience, either in public or private accounting; fluent in written English; working knowledge of the more popular PC software programs (e.g., Lotus); good oral and written communication skills. International experience and knowledge of another language would be desirable but not essential. A willingness to relocate, both now and in the future, in order to gain international experience, is necessary.

### SENIOR FINANCIAL MANAGERS

A minimum of 15 years business experience, with several years in a responsible senior financial position encompassing both accounting and financial disciplines in an international environment; international corporate treasury and banking relationships, including foreign exchange management; planning and budgeting; tax planning; accounting and information technology systems; mergers, acquisitions and divestitures; interface with external advisors (accountants and lawyers). Knowledge of a foreign language would be desirable but is not required.

Foremost among the character traits we are seeking are integrity, imagination, dependability, and a desire to succeed. A competitive compensation arrangement is being offered, together with an opportunity to live in one of the most desirable areas of Central Europe.

Interested candidates are advised to submit their CV's, including salary history, to Mrs. E. Saladin, Corporate Personnel, quoting reference FT16/93/sa.

F. Hoffmann-La Roche Ltd., P.O. Box, CH-4002 Basel, Switzerland.

Moat Housing Society is a leading South East Housing Association providing quality, affordable housing for rent and shared ownership.

Moat will spend almost £50 million in 1993 on new housing and will provide more than 3,000 homes through new development by 1997. We also have major initiatives to work closely with local authority partners to improve housing and to boost the provision of new homes.

Moat has restructured its senior management to deliver its ambitious plans for growth and continued improvement in service provision.

## FINANCE DIRECTOR

c. £47,000 + car

We require a qualified accountant to lead the Society's finance function.

Your major role will be:

- to identify and develop ideas for growth and assess risk on new projects
- to provide an incisive and innovative approach to improving current operations
- to negotiate and secure loan finance

The successful candidate will have

- post qualification senior management experience
- a proven track record in achieving success within a changing organisation
- excellent communication and presentation skills

For further information and an application form please contact: Michaela Kelly, Moat Housing Society, St. John's House, Suffolk Way, Sevenoaks, Kent TN13 1TC. Tel: 0732 457616.

Closing date: 22nd February 1993. No CVs please.

Moat is working to implement its Equal Opportunities Policy.

**MOAT**

## FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

vous faire part d'un accord publicitaire avec LES ECHOS le quotidien de l'économie le plus important en France. Une annonce dans la rubrique "Offres d'Emploi Internationales" dans le FINANCIAL TIMES et LES ECHOS augmentera de façon substantielle l'impact de votre message sur les cadres dirigeants en Europe. Chaque semaine les annonces paraîtront dans les Echos le mardi et dans le Financial Times le mercredi (le vendredi dans l'Édition Internationale du Financial Times). Pour de plus amples renseignements, veuillez contacter:

Clare Peasnell 071 873 4027



**CHIEF FINANCIAL OFFICER****Medical Equipment****Cambridge****c £40,000 + benefits + incentives**

Diomed is a new and rapidly growing company manufacturing and selling a unique and world leading range of advanced medical equipment to the high growth minimally invasive surgery market. Backed by a consortium of European companies and investors, the company's activities extend across the world.

The opportunity has arisen for a Chief Financial Officer, reporting to the Chief Executive, to take full responsibility for Diomed's financial planning and management.

The ideal candidate will have a rare blend of management and communications skills backed with professional qualifications and a minimum of 10 years relevant experience. Excellent negotiation and investor relation skills must be combined with strong treasury and control abilities. Experience of cross border operations is essential. Experience in the healthcare industry is desirable.

Most importantly he or she will have the right attitude and commitment to join a hard working, fast moving team and participate in the rewards of its success.

Please reply in confidence enclosing career details to:

Mrs A L Lord Tel: +44 (223) 421799  
Diomed Ltd Fax: +44 (223) 425011  
The Jeffrey's Bldg  
Cowley Road  
Cambridge CB4 4WS

**CJA**

RECRUITMENT CONSULTANTS GROUP  
3 London Wall Buildings, London Wall, London EC2M 5PJ  
Tel: 071-588 3588 or 071-588 3576  
Fax No. 071-256 8501

Good career prospects exist within this expanding company or to move within the group.

**BUSINESS MANAGER****CITY****£27,000-£30,000 + BENEFITS****INTERNATIONAL DEBT RATING SUBSIDIARY OF MAJOR U.S. GROUP**

The U.K. business unit of this well-known company has grown rapidly in recent years. The successful applicant for this new position will work closely with the Operations Director and the primary task will be to develop and implement new systems for financial and administrative control to generate the management information for performing analytical reviews of the operations, monitoring budget variances, etc. There will also be ad hoc commercial projects for London and New York. Applicants (aged 24-32) should be educated to degree level and must have formal accounting experience and as hands on experience is of greater importance need not be qualified accountants. Systems and EDP experience and experience in the financial sector will be an asset. This is a front line position with contact with management throughout the group. Initial remuneration negotiable £27,000-£30,000 + excellent benefits. Applications in strict confidence under reference BM4882/FT to the Managing Director, CJA.

**Project Management****Accountancy and Actuarial Professionals****South Hampshire****£30,000 - £50,000 per annum**

Our client, part of an International Financial Services Group has recently embarked upon an ambitious programme of organisational change and systems development. Several opportunities have been created for high calibre project managers to coordinate a number of key project teams that are being formed.

Our client offers fixed term contracts of 18 months in duration to experienced project managers with an Accountancy or Actuarial qualification who have an ability to lead others. Decision making, planning and organisational skills are essential, as is technical knowledge gained from a UK Life or Unit Trust Company.

Particular areas of focus include the UK Life Assurance and Unit Trust operations where there are challenging projects, including fund rationalisation and investment administration.

To apply, in strict confidence, please write or telephone, quoting reference 907 to Fiona Law at FLA Ltd, 24 Roseneath Road, London SW11 6AH. Tel: 071-738 9732.



SEARCH, SELECTION  
AND CONSULTANCY  
SERVICES

The Credit Union of Employees of the International Fund for Agricultural Development (United Nations) (Rome, Italy) Seeks

**CREDIT UNION MANAGER (P3/P4)**

Reporting to the Board of Directors of the Credit Union, the Manager's main duties will be to:

- set up and conduct the operations of the Credit Union;
- manage the Credit Union's liquid assets in Italian Lire and U.S. Dollars;
- propose new investment strategies and elaborate policies on savings and loans;
- set up a personal computer system for accounting and reporting;
- organize work and meetings of the Credit Union and related Committees;

**QUALIFICATIONS:** University degree in Business Administration/Commerce or certification from an internationally recognized professional accountancy body or similar. Five to seven years professional experience in banking, accounting, auditing or similar in a multinational financial environment.

**LANGUAGES:** Working knowledge of English essential; knowledge of another official language of IFAD and Italian desirable.

**COMPENSATION:** Up to USD 120,000 including home leave, dependency allowance and education grant for dependent children.

**DURATION:** 2 years fixed-term following 6 months probation.

**DATE OF ENTRY ON DUTY:** As soon as possible

Please send detailed resume to:

Ms. Joyce Barbarich, IFAD  
Via del Serafico no. 107, 00142 Rome, Italy  
or by fax to no. +39-6-5038396

Closing date for application: 28.2.93

Only shortlisted candidates will receive an acknowledgement.

**Finance Manager**  
**(- Europe)****S.W. London****£35,000 + bonus + benefits**

This position offers considerable potential within a thriving organisation at a vital moment in its development. Our Client, a world leader in PC Communications, has a first class record for product innovation. Continued expansion throughout its European market has led to the requirement for a Finance Manager to enhance the financial control of the UK Headquarters and its European subsidiaries.

As a key member of the management team, reporting to the Managing Director and liaising with the Corporate Controller in the Canadian parent company, you will be responsible for all financial and accounting issues including hands-on management of the accounting team, timely reporting of high quality financial information, and advising on the financial implications of strategic issues.

Candidates will be qualified accountants, aged 28-36, with a proven track record of success. Dynamic and results-oriented, you will thrive in a fast-moving and professional international environment. Exposure to European accounting issues and fluency in an additional European language would be advantageous.

Please apply, enclosing a detailed cv quoting reference No. 4406 to:  
Jonathan Wilkinson  
Pannell Kerr Forster Associates  
New Garden House  
78 Hatton Garden, London EC1N 8JA

**Pannell Kerr  
Forster  
Associates**  
MANAGEMENT CONSULTANTS

'Good market positioning leads to fewer competitors for new work, higher margins and easier sales'

**MANAGING DIRECTORS**

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INVITE YOU TO A FREE HALF DAY PRACTICAL SEMINAR**

**LONDON**  
Wednesday 17 February  
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**BIRMINGHAM**  
Tuesday 2 March  
Wednesday 10 March

Kidsons Impey Marketing Consulting is a specialist group within Kidsons Impey dedicated to improving the effectiveness of clients' business through more powerful market positioning. The seminars are designed to give Managing Directors controlling medium sized businesses the maximum benefit with the minimum intrusion into their working week. The morning will involve presentations and extensive use of real life case studies drawn from companies with whom we are working to

improve their marketing effectiveness.

- 'how to move out of a commodity market'
- 'directing your effort to the most potent customers'
- 'increasing customer conversion in a declining market'
- 'turning every member of your staff into an effective salesperson for the company'
- 'how customer information was used to make radical improvements to salesforce effectiveness'

If you wish to attend one of the free seminars, please write or ring the appropriate Kidsons Impey Marketing Consulting office below:

**LONDON**  
Alan Powell  
Kidsons Impey Marketing Consulting  
29 Pall Mall  
London SW1Y 5LP  
Tel: 071-321 0336 Fax: 071-976 1116 Marketing Consulting



**FT NEWSPAPER  
OF THE YEAR**

**BIRMINGHAM**  
Martin Kersh  
Kidsons Impey Marketing Consulting  
Bank House, 8 Cherry Street  
Birmingham B2 5AO  
Tel: 021-631 2631 Fax: 021-631 2632

**Senior Marketing Officer**  
**European Financial Institutions****London****£60-70,000**

The success of the London operation of this long established and highly respected US institution has resulted in a need to recruit an experienced marketing officer to market and sell a range of products to both existing and potential customers in Europe. The role will entail marketing the full range of the bank's services, including custody and cash management products.

The ideal candidate will have had extensive exposure to European financial institutions and will already have been involved in closing sales opportunities and developing profitable client relationships. We would be particularly interested in talking to applicants who have had exposure to the insurance sector and understand the particular needs and opportunities

associated with this competitive industry.

The successful applicant will have excellent business closing skills and will be able to demonstrate a proven track record of developing key relationships in the European financial institutions sector. You are likely to be a graduate, in your thirties and will be fluent in at least one European language in addition to English. An attractive performance-related remuneration package, which will entirely reflect experience, will be awarded to the successful candidate.

Interested applicants should contact Ann Semple on 071 831 2000 or write to her enclosing a full curriculum vitae at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.

**Michael Page City**

International Recruitment Consultants  
London Paris Amsterdam Brussels Düsseldorf Sydney

**EUROPEAN FINANCIAL CONTROLLER**  
**BERKSHIRE**  
**Salary Neg + Benefits**

This rapidly growing international company, which manufactures and distributes computer networking systems, is seeking to add to its financial staff at its European Headquarters.

Applicants will need to manage the financial and accounting processes for the European sales operation, which currently consists of six wholly owned subsidiaries. Candidates must also be able to assist the Managing Director - Europe with strategic issues in order to develop the company further and to be actively involved with our international sales team, selling into areas outside the European Community. An accountancy qualification is considered to be essential for this position. Additionally, ten years experience in a high-pressure sales environment is preferred, as is experience in controlling finance across a number of European countries. Applicants should also be fully conversant with integrated Management Information Systems. Extensive travel within Europe will be required, therefore fluency in a second European language would be useful.

Applicants should send their CV with an indication of salary level to:  
Gillian Colne  
Personnel Manager  
Cabletron Systems Limited  
Network House  
Newbury Business Park  
London Road  
Newbury  
Berkshire RG13 2FZ

**Portfolio**

**Fixed Income Control**  
**City - £40,000**

Business growth in this progressive investment bank has created a need for enhanced support in and control over revenue areas. As a result a requirement exists for a qualified accountant with in-depth knowledge of Fixed Income and derivatives trading activities, and the associated operational, I.T., and regulatory issues. The candidate will also possess the force of personality to establish and maintain rapport and credibility with revenue earners. Please contact Joe Thomas, quoting reference 93-2-A.

**German speaker - Cross Border M & A**  
**City c £29,000**

German speaking newly/recently qualified ACA is sought to join corporate finance team at major European Bank. Emphasis is on cross-border M & A with extensive liaison with German operations. Language training is offered but reasonable fluency is required. Please contact Pippa Curtis, quoting reference 93-2-B.

**Operational Review**  
**Europe c £28,000**

German or Italian speakers are required by a multinational Group. High degree of European travel, based in UK or abroad. Ideal for newly/recently qualified ACA's seeking rapid international career development. Strong interpersonal skills are essential. Please contact Pippa Curtis, quoting reference 93-2-C.

**European Operational Audit**  
**Up to 100% travel c £30,000**

This multinational company seeks a recently qualified accountant with excellent linguistic and audit skills. Fluency in at least one European language is essential and it is likely that the successful applicant will have qualified in the last 3 years. Prospects for advancement to line management are excellent. Please contact Peter Green, quoting reference 93-2-D.

**N/RQ Accountants - Financial Services**  
**City £30,000 + Banking Benefits**

This major bank seeks 2 high calibre ACA's to work within the high profile derivatives area. Acting as accounting support to the traders, excellent experience will be gained in a range of financial products. Prospects are outstanding as this is viewed as a fast-track management role.

Candidates should be graduates with 1st time passes, and be from a 'Big 6' firm. Financial Services experience is not essential. Please contact Liz Osborne, quoting reference 93-2-E.

Please contact the relevant consultants by sending your CV to 410 Strand, London WC2R 0NS or fax to 071 579 4880. Telephone number is 071 586 9501.

For temporary assignments contact Jacques Field or Jim Nairn.



RECRUITMENT CONSULTANTS

**FINANCIAL DIRECTOR****THE COMPANY**

- Suppliers to the retail trade of stationary and giftware items with £18m turnover.
- Long established market presence both in the UK and overseas.
- Part of successful and profitable international plc.

**THE ROLE**

- Key member of the Management Team, ensuring continuing improvement in profitability through organic growth and acquisitions.
- Responsible for the financial and management accounting function.
- Make a significant contribution towards development of management information systems.

**THE PERSON**

- Qualified Accountant, age indicator 33-40 with consumer goods and multi-site location experience.
- Team player, authoritative leader with strong inter-personal skills.
- Proven hands on style, commitment and commercial acumen.

Please write enclosing full curriculum vitae quoting ref: III to: Nigel Hopkins FCA, London House, 53-54 Haymarket, London SW1Y 4RP Tel: 071 839 4572; Fax: 071 925 2336.

**Surrey**

**c£42,000**  
**+ Bonus + Car**  
**+ Benefits**

**NIGEL HOPKINS**  
ASSOCIATES

FINANCIAL & TREASURY SELECTION











## FINANCIAL TIMES FRIDAY FEBRUARY 12 1993

**INVESTMENT TRUSTS - Contd.**[illegible]



**References**

[illegible][illegible][illegible]



● Current Unit Trust prices are available from FT Cityline. For further details call (071) 525 2120

— as Held Mgrs. Ltd (1000)H

[illegible]



● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2129

Continued on next page



● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

[illegible]



● Current Unit Trust prices are available from FT Cityline. For further details call 1 071 1 925 2128.

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## CANADA

# CANADA

Index	Stock	High	Low	Open	Close	Settle	Stock	High	Low	Open	Close	Settle	Stock	High	Low	Open	Close	Settle
TORONTO																		
4 pm close February 11																		
Outbreaks in cattle unless marked 6																		
8000	Alb. Min.	914	14	14	14	914	8700	Alb. Min.	914	14	14	914	8700	Alb. Min.	914	14	14	914
914000	Alb. Min.	914	14	14	14	914	914000	Alb. Min.	914	14	14	914	914000	Alb. Min.	914	14	14	914
26700	Alb. Min.	914	14	14	14	914	26700	Alb. Min.	914	14	14	914	26700	Alb. Min.	914	14	14	914
94000	Alb. Min.	914	14	14	14	914	94000	Alb. Min.	914	14	14	914	94000	Alb. Min.	914	14	14	914
106000	Alb. Min.	914	14	14	14	914	106000	Alb. Min.	914	14	14	914	106000	Alb. Min.	914	14	14	914
207000	Alb. Min.	914	14	14	14	914	207000	Alb. Min.	914	14	14	914	207000	Alb. Min.	914	14	14	914
26700	Alb. Min.	914	14	14	14	914	26700	Alb. Min.	914	14	14	914	26700	Alb. Min.	914	14	14	914
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914000	Alb. Min.	914	14	14	14	914	914000	Alb. Min.	914	14	14	914	914000	Alb. Min.	914	14	14	914
26700	Alb. Min.	914	14	14	14	914	26700	Alb. Min.	914	14	14	914	26700	Alb. Min.	914	14	14	914

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**4 pm close February 11**

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We are represented  
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D-5200 Bonn  
Telefax 12 21 552 2222

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Aktiengesellschaft

VIAG Aktiengesellschaft  
Georg-von-Sieeslager Str. 25  
D-5000 Bonn 1  
Telefax: (02 28) 5 50-2422



Stock	Pr	St	Ex	100s	50s	25s	Last	Ch
PlacerCo	0.04	13		22	31	31	31 1/4	+1
PlacerInt	0.04	10		27	28	28	28 1/2	+2
PlacerGr	0.13	122		25	23	23	25	-2
Ponca Fe		4	307	7 1/4	7 1/4	7 1/4	7 1/4	-
Powell		128	34	11	10	10 1/2	10 1/2	-
Price Lps		0.00	01462	07 1/4	7 1/4	7 1/4	7 1/4	-
Primestk		10	13	24	22	24	24	-
Prinston	0.12	8	19	4 1/4	4	4	4	-
Price Co		15	1235	35 1/2	34 1/2	35 1/2	35 1/2	-
Price Pw		200	45	4 1/4	4 1/4	4 1/4	4 1/4	-
Princt		10	13	24	22	24	24	-
Prod Opt	0.10	10	1782	28 1/2	25	25	25 1/2	-
Proctel Inc	0.02	10	430	103 1/2	103	103	103	-
Prod Gen	0.02	10	120	33 1/2	33 1/2	33 1/2	33 1/2	-
Proctel	0.02	10	120	33 1/2	33 1/2	33 1/2	33 1/2	-
Proctel B	0.12	25	34	28	27	27 1/2	27 1/2	-
Proctel C	0.12	25	34	28	27	27 1/2	27 1/2	-
Proctel D	0.12	25	34	28	27	27 1/2	27 1/2	-
Proctel E	0.12	25	34	28	27	27 1/2	27 1/2	-
Proctel F	0.12	25	34	28	27	27 1/2	27 1/2	-
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Proctel AI	0.12	25	34	28	27	27 1/2	27 1/2	-
Proctel AJ	0.12	25	34	28	27	27 1/2	27 1/2	-
Proctel AK	0.12	25	34	28	27	27 1/2	27 1/2	-
Proctel AL	0.12	25	34	28	27	27 1/2	27 1/2	-
Proctel AM	0.12	25	34	28	27	27 1/2	27 1/2	-
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Proctel EP	0.12	25	34	28	27	27 1/2	27 1/2	-
Proctel EQ	0.12	25	34	28	2			

**4 pm close February 22**

[illegible]

Perrier battle ends with something



## AMERICA

## Dow reflects strong gains on jobs data

## Wall Street

AFTER a period of consolidation and profit-taking, US markets roared back to life yesterday, with share prices posting strong gains across the board, writes Patrick Harverson in New York.

Just before midday the Dow Jones Industrial Average was up 20.56 at 3,432.85. The more broadly based Standard & Poor's 500 was 1.89 higher at 448.12, while the Amex composite was 0.60 firmer at 416.70, and the Nasdaq composite was up 1.92 at 696.94. Trading volume on the NYSE was 119m shares by 12 pm.

Advances in overseas equity markets set the tone for a strong opening in New York, although it was not until mid-morning that demand really began to pick up. Sentiment was boosted by good news from the jobs market, where weekly unemployment insurance claims fell 13,000 in the last week of January. The news on retail sales, however, was less positive: sales rose 0.3 per cent in January, and excluding car sales, they climbed just 0.1 per cent. Both sets of figures were below market expectations.

Corporate earnings continued to affect prices. General Motors was the day's main story, with the stock rising \$1 to \$40.4 in volume of 2.3m shares after the car manufacturer reported a \$23.5bn loss for 1992. This was primarily the result of extraordinary charges related to government

launch a credit card for customers in conjunction with Citibank, rose \$4 to \$50. IBM was a rare loser, dropping \$1 to \$51.4 in volume of 1.5m shares after announcing plans to increase the number of jobs it proposes to cut in North America.

Sears, Roebuck jumped 3 1/4 to \$51.4 as it unveiled a five-year, \$4bn programme to upgrade its stores and announced details of a plan to complete an initial public offering of stock in its Dean Witter securities brokerage and credit card subsidiary.

Cummins Engine rose 3 1/4 to \$84.4 after reporting strong fourth quarter earnings as the company continues to recover from a string of losses.

Canada

TORONTO was mainly unchanged at mid-session on profit-taking following recent gains. The TSE-300 index was up just 0.41 at 3,443.09 in volume of 23.7m shares valued at C\$225m. Advances led declines by 238 to 215 with 254 issues unchanged.

Gold shares, which had gained on Wednesday following a rise in the price of bullion, eased with American Barick down C\$4 to C\$41.7.

## EUROPE

## Roller-coaster ride in Italian equities

POLITICAL trepidation in Italy, and French interest in the recently-emailed Euro-equity status were the main features in bourses yesterday, writes Our Markets Staff.

MILAN calmed itself at the start of the new trading day with domestic institutions and overseas investors apparently ready to put Wednesday's traumas behind them.

But prices again turned down as the market was convulsed by rumours that Prime Minister Giuliano Amato was under investigation in the political corruption scandal that forced Mr Claudio Martelli to resign as justice minister.

A firm denial of the story by the Milan magistrate who heads the investigation enabled prices to pick up from their lows, but it did not overcome renewed nervousness in the market and the Comit index fell again, closing 8.63 lower at 487.52.

The roller-coaster ride taken by the Fiat share price tracked the day's political events. The shares picked up to an early high of L4,525 before easing back to L4,501 at L4,591. In after-hours trading, the price dipped to a low of L4,480

at the height of the Amato rumours before pulling back up to L4,530.

State groups facing privatisation were also hit by the spectre of political instability that could put the government's programme in jeopardy. Credito Italiano fell L200 or 6 1/4 per cent to fix at L2,863.

PARIS recovered the 1,900 level with interest centred on Euro Disney and Eurotunnel, the latter having shown strong volume all week. The CAC-40 index closed up 12.20 at 1,905.37, after a day's high of 1,920.07, in good turnover of FF3.5bn.

Euro Disney attracted investors in spite of comments from the group that it expects a "substantial loss" for fiscal 1992/93. However, some analysts said that many institutions were now looking further ahead and saw the group benefiting from lower European interest rates. The shares rose FF1.40 to FF776.00, but off the day's high of FF777.90.

Eurotunnel gained FF1.25 to FF738.15 in good volume. Bancare came off early lows after reporting a 57 per cent decline in 1992 net attributable profit to finish up FF12.50 at

## I-SE Actuaries Share Indices

February 11		Open		10.30		11.00		12.00		13.00		14.00		15.00		Close	
FT-SE Eurotrack 100	1124.78	1123.88	1121.94	1122.80	1123.57	1124.13	1127.87	1128.71	1128.71	1128.71	1128.71	1128.71	1128.71	1128.71	1128.71	1128.71	1128.71
FT-SE Eurotrack 200	1178.43	1175.98	1174.03	1175.27	1176.77	1177.21	1178.68	1178.45	1178.45	1178.45	1178.45	1178.45	1178.45	1178.45	1178.45	1178.45	1178.45
		Feb 10		Feb 9		Feb 8		Feb 5		Feb 4							
FT-SE Eurotrack 100	1121.50	1124.14	1131.12	1128.62	1113.35	1113.35	1113.35	1113.35	1113.35	1113.35	1113.35	1113.35	1113.35	1113.35	1113.35	1113.35	1113.35
FT-SE Eurotrack 200	1171.08	1177.40	1180.15	1182.21	1182.60	1182.60	1182.60	1182.60	1182.60	1182.60	1182.60	1182.60	1182.60	1182.60	1182.60	1182.60	1182.60

Raw value 1000 (200/1000) High/Low: 100 - 1127.87; 200 - 1178.78; Low/Low: 100 - 1121.16; 200 - 1178.63.

FF462.70 as investors turned their attention to the current year.

The financial sector was generally firmer on expectations of privatisations, should there be a change of government next month. Societe Generale gained FF14 to FF7630, Paris rose FF14.30 to FF406.50 and Saatchi advanced FF2.30 to FF598.90.

FRANKFURT edged up to its highest close since last July 21, the DAX ending 13.41 better at 1,651.05. Of the 30 DAX shares, 15 were higher by Thursday's closing, while 14 were lower and one was unchanged.

Turnover was DM6.5bn down from Wednesday's DM6.2bn. The DAX got its impetus largely from carmakers, engineers, and steels, all of which

is showing signs of stabilising at a lower level, domestic demand - where margins are high - continues to deteriorate, and rapidly.

MADRID returned to the upgrade on growing expectations of an interest rate cut, the general index closing 3.28 higher at 337.54. Turnover was around Ptas2bn and gains included Ptas35 to Ptas135 for Telefonica and among the debt-burdened electrical utilities, Endesa Ptas205 higher at Ptas4,220.

Banco reversed on consideration of its rights issue terms, losing Ptas120 at Ptas2,315.

ZURICH struggled to find direction before some late buying took the SMI index 7.1 higher to 2,127.9.

AMSTERDAM improved as investors again bought Royal Dutch and Akzo. The oil group, up F1.30 at F156.80, has been helped by speculation ahead of Saturday's meeting of Opec. Akzo rose another F1.30 to F149.50 on a number of buy recommendations.

ISTANBUL was active in the electricity sector, and the 75-share index closed above the 5,000 level, up 190 at 5,133.

## Tel Aviv trips over central bank signals

TEL AVIV equities, on a spectacular rising curve for more than a year, tumbled by more than 4 per cent yesterday after signals from the Bank of Israel that it wants to cool the market, writes Hugh Carnegy in Jerusalem.

It was the second downward lurch this week, following a 2 per cent slide on Tuesday after Mr Jacob Frenkel, the governor of the central bank, referred to the market as a "financial bubble".

After recovering on Wednesday, the market went sharply back into reverse yesterday on further reports that the Bank of Israel was

seeking to curb bank lending to mutual funds for stock purchases, a major source of liquidity during the recent bull market. The main index of the 100 most traded companies dropped 4.16 per cent to 206.08 in turnover of Shk250m (\$80m).

Last year, the market raced ahead by almost 100 per cent in shekel terms and by around 75 per cent in dollar terms. The 100 index ended 1992 at 195.98.

Many analysts have been warning that the market, with an average prospective price-earnings ratio of around 23, is due for a correction.

Santiago's stock exchange soared in January, on the wings of proposed capital market reforms which promise to broaden the investment options of Chilean private pension funds and insurance companies.

These institutions are the biggest participants in the market. The IPSA index of the 40 most traded shares rose by 11.7 per cent, in one month almost doubling the modest price gains registered in the whole of 1992.

Trading was also unusually heavy in second-tier stocks, as retail investors reacted to the news that pension funds would soon be authorised to invest in more than 100 new companies. At present, the equity portfolios of pension funds are restricted to blue chips.

As speculators snapped up shares in these little-traded companies, the general share price index, or IGPA, rose by 16.6 per cent. In the last week of January, average daily market turnover more than doubled to \$28.2m. On one day, turnover on the stock exchange floor and the electronic bourse notched up a record \$45.5m.

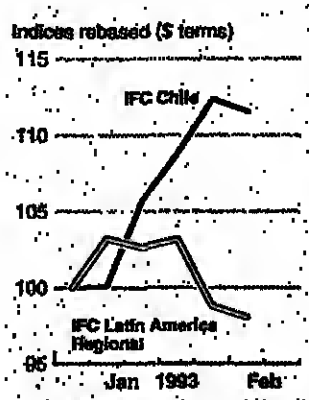
In spite of some profit-taking at the end of January, most analysts expected the stock exchange, or Bolsa, to remain steady during February. Earlier this week the IPSA, returned to 100 each December 31, had eased to 111.06, from 111.7 on January 29.

The proposed capital market reforms were leaked throughout the month, before being unveiled finally by Mr Alejandro Foxley, the finance minister, on January 23.

The reforms will allow private pension funds (AFPs) and insurance companies, which

manage \$15bn worth of funds, to broaden and diversify their equity portfolios. They will also be allowed to invest in new financial instruments such as convertible bonds, revenue bonds, foreign exchange, interest rate and equity index futures. AFPs will be free to acquire shares and corporate bonds abroad. At present, their foreign investment is restricted to AAA-rated bank debt and gilt-edged securities.

AFPs welcomed the proposed reforms as an opportunity to diversify their portfolios and reduce risk. Their equity investments are currently heavily concentrated in the privatised electricity and telecommunications sectors. This overexposure was making both the authorities and pension fund managers feel uncomfortable.



Although the new law is not expected to enter the statute books until June, Mr Mario Lobo, an investment banker with Celfin Consultants, says the announcement was "the

psychological boost the market needed to consolidate other good news". This includes some excellent corporate results following a year in which the Chilean economy grew by 9.7 per cent - one of its best ever performances.

Endesa SA, the privatised utility, said 1992 had been the best year in its history, with profits up 30 per cent to \$360m.

Endesa is now planning to raise in excess of \$50m on the international bond markets to finance acquisitions in Argentina and Peru, and to build a \$450m hydro-electric dam in southern Chile.

Vineyard stocks are also bubbling after wine and champagne exporters increased their foreign shipments by 41.7 per cent last year to \$19.2m. The winemakers Santa Caro-

lina, Santa Rita and San Pedro have all outperformed the share price index.

New stock market favourites are emerging as investors realign their portfolios in anticipation of the capital market reforms. The top performers in January were the metals refinery Elecnor and the bottling plant Cristales, both up by around 62 per cent.

Mr Antonio Cruz, manager of the two Midland Bank foreign investment funds in Chile, sees the greatest growth potential occurring in medium-sized industrial and consumer product companies. "These companies are making large investments to meet growing demand," he says. Cement plants, for example, are working at full capacity due to the construction boom in Santiago.

## ASIA PACIFIC

## Campaign promises encourage Australia to hit six-month high

TOKYO WAS closed for a national holiday but other Pacific Rim markets were generally firmer.

AUSTRALIA climbed to a six-month high, drawing encouragement from employment data and campaign promises from both of the main political parties to help the corporate sector.

Strong demand from domestic and overseas investors propelled the All Ordinaries index above the 1,600 level, but late profit-taking pulled prices off their highs. The index closed 8.5 higher at 1,599.1 in turnover of A\$242.1m.

More than 9.4m Pioneer shares were traded following the resignation of the chief executive officer. The stock added a cent at A\$2.32, with investors taking the view that it has been an underperformer recently.

HONG KONG remained positive, with investors encouraged by the successful flotation of Denway, which saw its HK\$402m share offer oversubscribed by some 700 times. The Hang Seng index ended 21.45 ahead at 5,857.00 but turnover was low at HK\$1.9bn.

Some analysts commented that slightly better than expected December trade figures

also helped sentiment. In pre-listing trade, Denway was quoted at HK\$3.50, up from HK\$3.00. HSBC Holdings rose 50 cents to HK\$36.50.

BANGKOK gave up some of an early advance but the SET index still managed to edge 1.08 ahead to 991.21. Some analysts expect the index to break through the 1,000 level today.

Turnover was Bt12bn. Bank shares were in demand. Bangkok Bank put on Bt2 at Bt135. Thai Farmers Bank rose Bt22 to Bt224. Krung Thai Bank Bt4 to Bt404 and Bank of Ayudhya Bt1 to Bt75.

MANILA adopted a positive tone and the composite index climbed 23.94 to 1,403.61, with mining issues leading the rise on the back of improved gold prices.

Among blue chips, Philippine National Bank moved ahead 12 pesos to 245 pesos and Manila Electric added 25 pesos to 230 pesos on rumours of a rights issue.

SEOUL benefited from demand for financial issues and some other large-capitalisation stocks, and the composite index firmed 4.35 to 681.60. Turnover was Won654bn, up from Wednesday's Won597bn.

KUALA LUMPUR picked up as the government and the

country's hereditary rulers broke their deadlock over constitutional amendments. The composite index, 5.01 lower at midday, picked up to end 3.28 easier on balance at 635.94 in turnover of some M\$633m.

SINGAPORE was weaker, while Rothmans Industries shares were suspended from trading ahead of a company announcement. Rothmans Pic in London said that it had begun talks with its divisions in Malaysia and Singapore which could lead to a regional holding company.

The Straits Times Industrial index shed 4.43 to 1,621.47 in volume of 140.5m shares, against 134.3m on Wednesday.

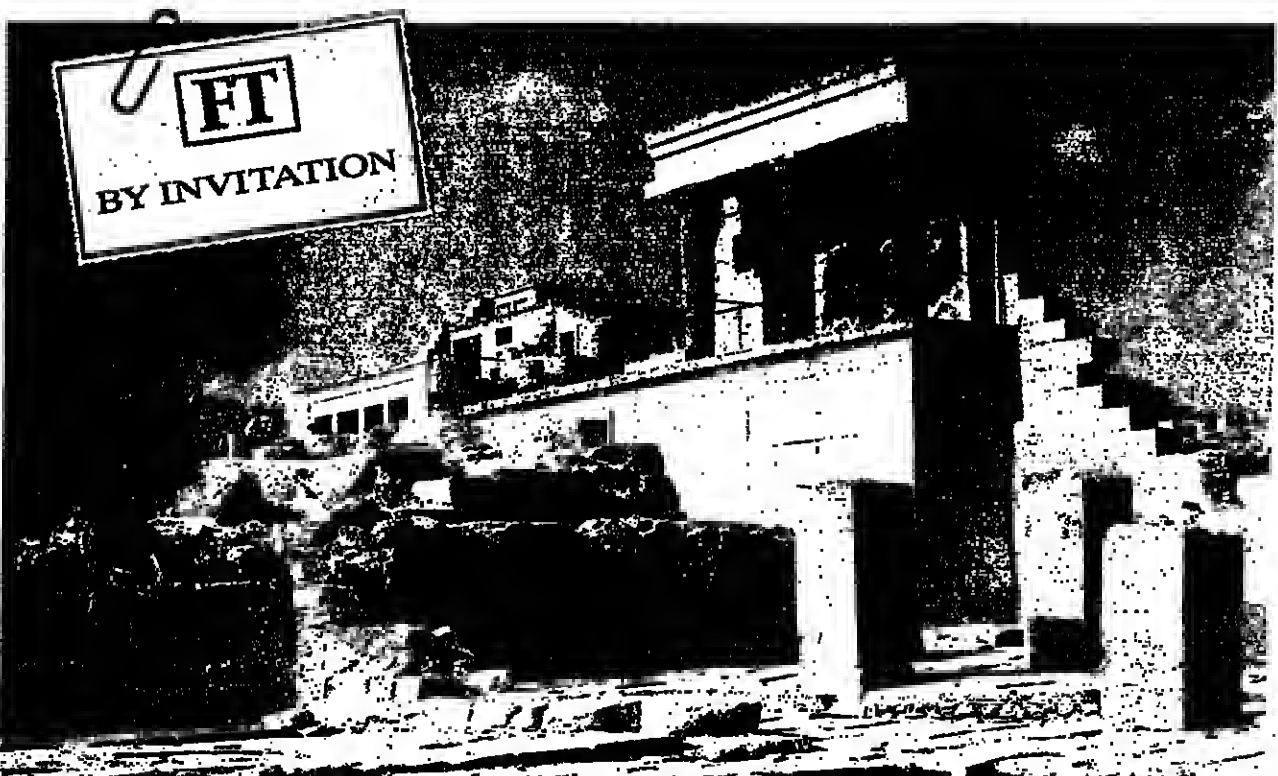
TAIWAN remained firm following Wednesday's announcement that Governor Lien Chan was to be nominated as the next premier, so easing political worries. The weighted index rose 43.83, or 1.2 per cent, to 3,621.43 in turnover of T\$18.5bn, after the previous day's T\$32.7bn.

NEW ZEALAND was helped by strength in Fletcher Challenge, which advanced 6 cents to NZ\$2.58. The NZSE-50 index gained 10.88 at 1,571.66.

BOMBAY eased back on profit-taking: the BSE index closed 26.29 down at 2,785.83.

## SOUTH AFRICA

GOLD shares remained firm on overseas interest and the index advanced another 27 to 1,017, with Vaal Reefs gaining R10 to R22.50. The industrial index fell 42 to 4,603 while the overall index rose 10 to 3,551.

Crete - The Great Island  
with Gerald Cadogan 6th to 16th May 1993

The Financial Times offers readers a unique opportunity to explore Crete in May with our Archaeology correspondent Gerald Cadogan, a well known Cretan archaeologist. He has excavated there since 1960 and knows the Great Island (as the Cretans call it) thoroughly. This tour will give a complete view of the beautiful, mountainous island in the best month of the year, explore several rarely visited sites and, as far as possible, keep away from the mass tourism circuit.

Gerald Cadogan aims to introduce all the island's life and independent traditions, from the time when the Minoan palaces were the first civilisation in Europe to the late 20th century when Crete enjoys a prosperity not known since Roman times. Visiting Knossos with a specialist who has dug there is a rare chance the Financial Times is proud to offer.

The tour will include mountains and gorges; the wild flowers (Crete has an extraordinarily high number of endemic species); monuments of all periods since 3000 BC; meals in tavernas where Cretans go - in the company of an expert who loves Crete and its history, now ten millennia old but still very much alive.

Write or phone now for full details.

**Crete - The Great Island**  
To: Nigel Pullman, Financial Times, Number One Southway Bridge, London SE1 9HL. Tel: 071-834 7472 Fax: 071-873 3064  
Please send me full details of the Financial Times invitation to Crete - The Great Island

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## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY FEBRUARY 10 1993							TUESDAY FEBRUARY 9 1993							DOLLAR INDEX	
	US Dollar Index	Day's Change %	Pound Sterling	Yen Index	Old Index	Local Currency Index	Local % chg on prev	Gross Div. Ytd.	US Dollar Index	Pound Sterling	Yen Index	Old Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (66)	124.76	+0.5	129.59	95.36	107.36	129.95	+0.4	3.92	124.18	124.70	95.25	106.65	125.44	155.68	108.18	144.97
Austria (18)	140.44	-0.5	142.88	107.33	120.84	120.33	-0.3	1.58	139.30	139.37	106.64	116.69	117.14	155.68	131.18	180.50
Belgium (12)	138.95	-0.3	144.31	106.16	119.55	117.02	-0.1	5.18	138.30	144.37	106.64	116.69	117.14	155.68	131.18	140.51
Canada (113)	118.71	+1.1	123.29	90.72	102.19	108.62	+0.8	3.04	117.45	121.73	90.09	100.87	107.84	142.12	111.38	136.96
Denmark (33)	200.89	+0.5	208.64	153.33	172.85	172.75	+0.4	1.58	198.84	207.12	153.30	171.84	171.96	273.94	181.70	228.70
Finland (23)	65.50	-1.7	68.03	50.06	82.75	82.75	+1.2	1.58	69.09	51.11	51.27	51.27	51.27	65.50	52.94	67.98
France (99)	149.46	-0.2	155.23	114.22	128.59	131.29	+0.0	3.42	148.71	155.18	114.83	128.59	131.29	155.23	138.93	150.32
Germany (62)	168.62	+0.5	173.85	65.78	94.32	94.32	+0.5	2.42	169.30	173.85	65.78	93.87	93.87	129.69	101.59	118.47
Hong Kong (65)	233.58	+0.9	242.60	178.51	200.99	231.92	+0.9	3.89	231.58	240.02	177.84	198.84	229.93	262.92	176.36	196.70
Ireland (18)	131.28	-1.5	138.34	100.33	112.95	125.82	-1.4	1.58	131.28	138.34	100.33	112.95	125.82	131.28	100.33	112.95
Italy (78)	59.38	-1.7	61.88	45.39	51.09	66.34	-0.5	3.04	60.38	62.68	46.32	51.88	57.77	59.38	47.47	77.09
Japan (177)	107.53	+0.3	111.88	82.17	92.83	92.17	+0.0	1.07	107.17	111.07	82.21	92.06	92.06	84.21	109.55	123.10
Malaysia (16)	285.63	+0.1	279.00	205.29	231.13	271.89	-0.1	2.45	289.24	278.01	205.75	230.38	272.07	282.42	212.48	240.92
Mexico (16)	154.65	-1.1	160.03	117.57	132.80	121.81	-1.1	1.15	159.88	149.24	115.47	133.94	127.83	178.77	148.84	162.74
Netherlands (29)	155.49	-0.8	161.49	118.83	133.79	132.18	-0.3	1.58	155.49	161.49	118.83	133.79	132.18	161.49	147.88	152.74
New Zealand (13)	43.47	+0.6	45.15	33.22	37.40	45.19	+0.1	4.84	43.20	44.73	33.14	37.11	45.14	43.47	33.14	37.11
Norway (22)	145.00	+0.9	150.80	110.82	124.77	138.26	+1.2	1.00	143.65	148.88	110.18	123.98	138.68	192.95	126.05	176.12
Singapore (38)	218.45	+0.3	227.92	167.71	188.82	186.46	+0.2	1.98	217.78	228.75	167.82	187.00	186.05	229.63	175.93	223.37
South Africa (60)	170.72	+2.8	177.30	130.46	148.89	171.18	+2.4	2.54	165.36	172.45	127.63	145.80	157.22	263.60	134.21	239.32
Spain (47)	104.70	-0.2	108.20	84.54	108.89	112.73	+0.1	5.38	102.74	105.36	87.22	93.86	112.51	104.70	84.54	108.89
Sweden (36)	181.03	-0.6	187.25	123.07	136.56	178.14	+1.4	2.31	199.70	185.51	122.50	139.18	175.72	200.28	149.80	180.83
Switzerland (56)	110.82	-0.9	114.89	84.95	92.20	105.20	-0.8	2.03	111.88	115.75	85.67	95.93	105.87	122.37	95.95	101.31
United Kingdom (228)	128.31	+0.2	135.88	103.83	118.83	128.31	+0.2	4.4	133.40	138.35	126.33	140.32	139.36	200.07	161.86	173.94
USA (322)	128.31	+0.2	135.88	103.83	118.83	128.31	+0.2	7.77	128.10	135.88	103.83	118.83	128.31	159.74	130.32	170.30
Australia (780)	134.67	-0.5	140.07	103.73	115.05	128.95	-0.2	3.62	135.51	140.45	103.85	118.39	129.22	156.88	108.18	144.97
Nordic (114)	148.24	-0.8	158.96	113.29	127.65	145.82	+1.0	0.58	147.82	158.96	113.29	127.65	145.82	158.96	113.29	127.65
Pacific Basin (715)	112.37	+0.4	116.70	85.87	96.98	88.18	+0.0	1.33	111.96	116.04	85.88	96.15	82.13	141.67	80.14	134.45
North America (1485)	121.45	+0.0	128.14	92.81	104.54	104.37	-0.1	2.39	121.48	128.80	93.17	104.33	104.40	145.21	113.80	141.48
North America (1485)	121.45	+0.0	128.14	92.81	104.54	104.37	-0.1	2.39	121.48	128.80	93.17	104.33	104.40	145.21	113.80	141.48
Europe Ex. UK (554)	117.86	-0.3	122.20	89.84	101.25	107.02	+0.1	3.78	117.90	124.38	89.84	102.88	116.76	157.36	116.76	157.36
Pacific Ex. Japan (843)	158.87	+0.6	166.04	122.20	137.17	149.59	+0.5	3.88	158.96	164.75	121.95	138.64	148.68	175.31	148.68	175.31
World Ex. US (1886)	122.78	+0.27	127.51	93.84	105.84	108.49	+0.0	2.41	122.72	127.17	94.14	105.40	105.60	140.01	115.96	136.63
World Ex. US (1886)	122.78	+0.27	127.51	93.84	105.84	108.49	+0.0	2.39	122.72	127.17	94.14	105.40	105.60	140.01	115.96	136.63
World Ex. So. Afr. (2148)	141.79	-0.7	145.34	106.37	120.19	129.97	-0.2	2.39	139.63	144.71	106.11	118.94	125.77	150.88	127.21	143.81
World Ex. Japan (7736)	181.37	-0.1	187.60	123.34	138.87	157.57	+0.1	3.10	181.26	187.16	123.18	129.26	129.26	153.05	130.04	148.37
The World Index (2206)	141.89	-0.1	147.88	108.44	122.05	129.74	+0.1	2.58	141.71	148.87	108.71	121.72	129.62	153.70	130.69	148.95
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